WASHINGTON, DC
ECONOMIC DEVELOPMENT POLICY PAPER

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1 Introduction and Summary

Washington, DC is a uniquely American place. It's distinctive grid and diagonal boulevard street system speaks of a youthful nation still under the influence of Europe, yet looking forward to a bright and rational future. In the late 19th and early 20th century, Washington expressed the best that American urbanism had to offer, from stately brownstone neighborhoods, to the grand buildings of Connecticut Avenue, to the streetcars that plied the shopping streets like Georgia Avenue and H Street. In the postwar period, and particularly after the race riots of the 1960s, Washington became a leading example of the urban disinvestment and decay that overtook cities nationwide. At the dawn of the 21st century, Washington is now poised to partake of a new urban revival, fueled by the growth of the creative economy, and within the context of a vast, sprawling and growing metropolitan region. Washington, like San Francisco, is peculiarly situated to be a model for the post-industrial city.

Yet, Washington remains polarized by race and income. Its fiscal health is severely constrained by a high proportion of government and tax exempt properties, its inability to tax much of the income earned within its borders, and its need to provide both municipal and state-like services. Retail that fled the District during the 1960s and 1970s has only recently begun to return, and Washington overall remains understored in a variety of retail categories despite a population base that steadily declined from 1950 to 1997. And while the great strength of the economy has been its reliance on federal spending which rarely if ever shrinks, the growing trend towards government outsourcing raises questions as to the stability of the government sector, and the potential need to pursue a strategy of economic diversification.

This Economic Development Policy Paper is one of a series commissioned by the Washington, DC Office of Planning as preparation for the formidable process of overhauling the City's Comprehensive Plan. This paper represents a synthesis of studies and work that have been undertaken by an impressive array of economists, planners, and academic researchers. It attempts to draw from this prior work, and from a series of interviews with leaders from government, think tanks, non-profits, and universities, a series of "big picture" themes that should guide future economic development planning for the city. Moreover, because so much excellent work has gone before, and so many valuable initiatives are already underway, this paper attempts to concentrate on two broad topics: (1) areas of agreement; but also (2) areas or strategies where more or different thinking is in order.

We hope that this Policy Paper can provide, under one cover, a framework for economic development in Washington DC. The following two chapters provide a summary of economic conditions in the District. The final chapter contains detailed discussion of ten economic development objectives, some existing and some new, which should provide the framework for economic development in Washington. The chapter elaborates on the thinking behind each of the objectives and the associated strategies, which are placed with their most relevant objective only.

As a final note, this Policy Paper relies on a review of over 50 documents, and interviews with nearly 20 economists, planners, policy makers and business representatives, all of which was conducted over an intense two-week period. Surely, in one area or another, we misstep, and look forward to the ensuing dialogue.

2 Local and Regional Context

More than ever, metropolitan regions—not municipalities or counties—are the geographic units of economic development. An increasingly mobile workforce seeks employment throughout the region, and company site location decisions are increasingly regional in nature. Moreover, both workers and employers look to the full quality of life and amenity package offered by the entire region when making decisions about where to locate. Washington's challenge is therefore not how to be competitive *with* its region, but how to be competitive *within* it.

The City and Region

Since the 1950 census, the District of Columbia has seen its population decline while the surrounding region boomed with development. In 1950, its peak year for population, Washington had 802,200 residents and accounted for nearly 46 percent of the metro-area population; by 1990, that percentage was down to less than 12 percent, fueled by a loss of over 230,000 residents in the city, and an astonishing increase of 3.4 million in the metro population outside of DC.

Yet, the District has held its own with regards to employment. The number of jobs in Washington has shown sustained growth, increasing from about 500,000 in 1950 to 663,000 today, although this total is down from ten years ago. This concentration of jobs, combined with the shrinking population, has led to an unusual ratio of jobs to labor force. Washington is currently home to more than twice as many jobs as there are workers in the District, even accounting for the presence of discouraged workers not currently in the labor force. Even if every District worker worked within the District, the majority of jobs would still be held by suburban residents.

Even still, employment has boomed even faster in the region, particularly in Northern Virginia. As a result, even while employment grew in the District, the District's share has steadily decreased with time. While this trend is not alarming—the sprawling counties around DC clearly have a much greater development capacity than the District with its limited land supply—it still has potential repercussions for the future viability of the District as both a business and residential location. Three strategies are called for: both maintaining and growing a robust employment base in the District; working to increase access to the suburban job market for DC residents; and using workforce readiness and other initiatives to increase access to DC jobs for all DC residents.

Spatial Growth Trends

Washington remains the premier job center in the region, with over 100,000 more jobs than the next largest jurisdiction: Fairfax County. Yet the surrounding region in total has many more jobs than Washington, and the growth rates of the surrounding counties has far outstripped the District. The suburbs had surpassed the District in total jobs by 1970; today, the surrounding region in total has over three times as many jobs. The largest job growth occurred in Fairfax County, followed by Montgomery County. Although employment in the District shrank from 1990 to 1998 before recovering, the Council of Governments projects sufficient growth to keep the District ahead of Fairfax County, even as it continues to lose regional share.

Population growth has shown a similar pattern. While the District's population is slowly increasing after decades of decline, this absolute growth is exceeded by Fairfax, Montgomery, Prince Georges and Loudoun Counties. Of these, Loudoun County has experienced the fastest rate of growth as a percent of its population, followed by Prince William, Stafford, and Calvert Counties. Northern Virginia remains the region's growth center.

The Council of Governments predicts that the inner ring of suburban counties will continue to be the most populated part of the region well into the next decade. The entire regional population (excluding the Baltimore region) is projected to reach 6.1 million by 2030, an increase of 34 percent. This assumes a slowing of the recent growth trends that have seen the region increasing its population an average of 100,000 persons per year.

Transportation Infrastructure

The geography of the region has been heavily influenced by two major and trend-setting transportation developments. The Washington Beltway opened up vast areas for development, and spawned an entire new geographic lingo for the region: "inside the Beltway" versus outside. The Beltway helped spawn new "edge cities" such as Tysons Corner, Bethesda, and Beltsville, which sprang up where the ring road intersected another interstate or highway. It also served as a model for ring road construction nationwide. More recently, however, the Beltway has become more famous for its congestion, and having the been the scene of several nationally reported incidents of "road rage."

While the Beltway served as a powerful force of deconcentration, the Metro system has served to reinforce the importance of downtown Washington as a premier office location. Conceived as a state-of-art rapid transit system at a time when almost no city in America was building sub-surface heavy rail, the Metro has grown into a mature and effective commuter and intra-city rail network. While some of the promise of the Metro remains unfulfilled, particularly with regard to Transit Oriented Development (TOD), ridership has been on the rise and several Metro stations have become magnets for economic development.

Commuting Patterns & Smart Growth

The Metro, the Beltway, and the rest of the highway network supports a remarkably varied commuting pattern. In the District, 73 percent of DC residents work within the District borders, holding about 28 percent of District jobs, leaving another 72 percent of the jobs to be filled by workers from outside the District. Data compiled by the Department of Employment Services indicates that 28 percent of DC workers come from Virginia, 42 percent come from Maryland, and 2 percent from elsewhere. On a county basis, typically half of the region's workers, on average, commute outside of their home county to find employment. Yet, these patterns are growing increasingly unsustainable: almost all of the region's highways experience stop-and-go conditions throughout the rush hour, and 14 percent of the region's commuters have commutes of an hour or more.

With the highway system approaching gridlock, and Washington's commute one of the worst in the nation, second only to Los Angeles, public transit and "smart growth" have become increasingly important issues regionwide. The Metro system has the ability to add capacity (by adding rail cars) that the highway system lacks, particular for reverse commutes; yet, it does not serve several major employment sites (such as Tysons Corner), and most suburban residents lack convenient access to a station. While the Metro cannot solve the region's congestion, it does enhance the competitiveness of Washington's downtown as well as its neighborhoods, by providing an alternative means of access for both suburban commuters, as well as District workers who work downtown or in a transit-accessible employment location such as Silver Spring or Roslyn. A regionwide focus on smart growth can therefore have a beneficial impact on the District, by facilitating reverse commutes and increased transit use, as well as generating taxable income.

Land Availability in the District

As a mature, built-out city with fixed boundaries, Washington accordingly has limited amounts of land available for development. However, Washington is fortunate in that several large sites are either coming into play (such as Reservation 13), or are in the process of being reclaimed (such as the Anacostia waterfront). Moreover, while a tight real estate market has spurred considerable development and rehabilitation in recent years, the city's history of neighborhood disinvestment and decline has left the city with a number of vacant, abandoned and/or underutilized properties scattered throughout the city. While many of these sites are small, cumulatively they have the potential to accommodate a significant amount of new development, while at the same time repairing and restoring neighborhood fabric.

The Office of Planning has undertaken an inventory of the major potential development sites and performed a build-out analysis of these sites under current zoning. A preliminary version of this analysis was made available for this report, although all the numbers should be considered subject to change. Even still, the report concludes that citywide, there is the potential to accommodate:

- Over 58,000 residential units of various types
- Over 61 million square feet of commercial development

- Over 12 million square feet of industrial development

Notably, less than a third of this development capacity is represented by the large sites. A little over a third of the residential and commercial opportunities, and the majority of the industrial opportunities, are accounted for by scattered vacant, underutilized and abandoned properties. The remainder is comprised of “pipeline” projects, those developments either under construction, planned or proposed.

Even still, the large sites have the most potential, by virtue of their size, for accommodating unique uses and master planned developments. No fewer than 12 sites of over 50 acres, with a cumulative size of over 1,500 acres, have been identified by the Office of Planning. As will be discussed later, the District’s ability to diversify its economy, no less critical than increasing its population, requires a strategic approach to the reuse of these sites.

3 Economic Context

Sector Employment Trends

In 1992, the Federal government accounted for just over a third of all jobs in Washington, with a total of 230,100 workers in the District. Since that time, federal employment in the District has declined by 38,300 jobs. Yet, the federal government remains by far the largest single employer in the District, accounting for 29 percent of total employment in 2002, with 191,800 jobs.

Beyond the federal government, the largest employment sectors are Professional and Business Services, with 21 percent of the jobs; Educational and Health Services with 13.5 percent: "Other" services (which includes religious, grantmaking, civic, professional, and similar organizations) with 8.4 percent; and Leisure and Hospitality, with 7.2 percent. Most of these sectors either provide inputs into, or require proximity to, the federal government—only the educational sector functions independently.

The local reliance on the federal government tends the shield local economy from recessions. Employment in the District therefore does necessarily reflect what's going on in the national economy. For example, during the prior recession, most states bottomed out in 1991 or 1992. Employment in DC, as shown in **Chart 1**, declined until 1998 before starting an upward climb. Separating private from public sector employment tells the story, as shown in **Chart 2**. Private employment growth was essentially flat from 1992 through 1998, while government employment was contracting. After 1998, government employment stabilized while private sector employment began growing. The onset of recession in 2000 slowed, but did not stop this growth.

Much of the growth in the private economy has been fueled by government outsourcing of previously in-house functions. From 1993 to 2001, federal procurement spending roughly doubled, from $15.6 to 31.5 billion. Dr. Stephen Fuller of George Mason University estimates that total federal procurement spending in the region accounted for 20 percent of its employment base in 2000. This suggests that much of the economic diversification in the 1990s was really driven by federal spending; yet, this is not necessarily alarming, since many of the industries provide services (such as computer systems design) also in demand from the private sector, and in any event there is no indication that federal procurement is likely to stop growing or decline.

Employment trends by sector for the District were compared over the period of 1992 to 2002 (corresponding to the low-points of the national economy), and 1998 to 2002, to see what industries fueled the recent growth spurt. Trends were examined both in terms of absolute employment growth as well as the rate of change. The five industries (at the 4-digit NAICS level) over each time period which experienced either the fastest or the greatest change in employment are shown in **Tables 1 through 4**.

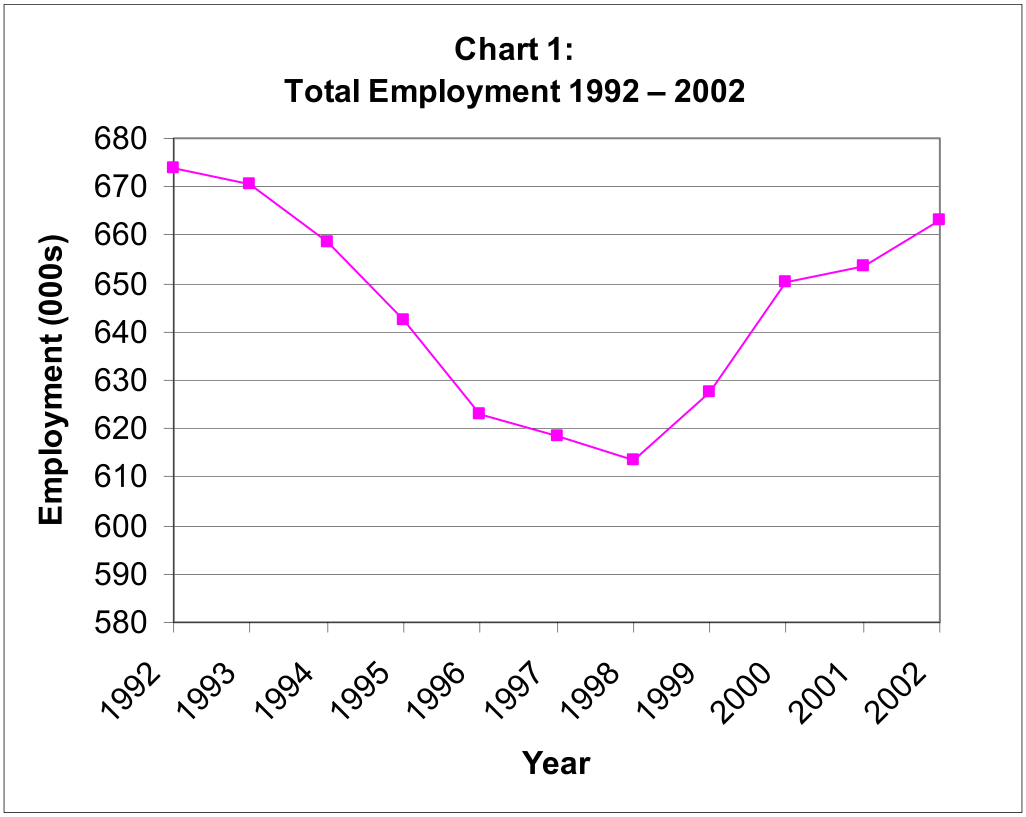
Chart 1:
Total Employment 1992 – 2002
Employment (000s)
680
670
660
650
640
630
620
610
600
590
580
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
Year

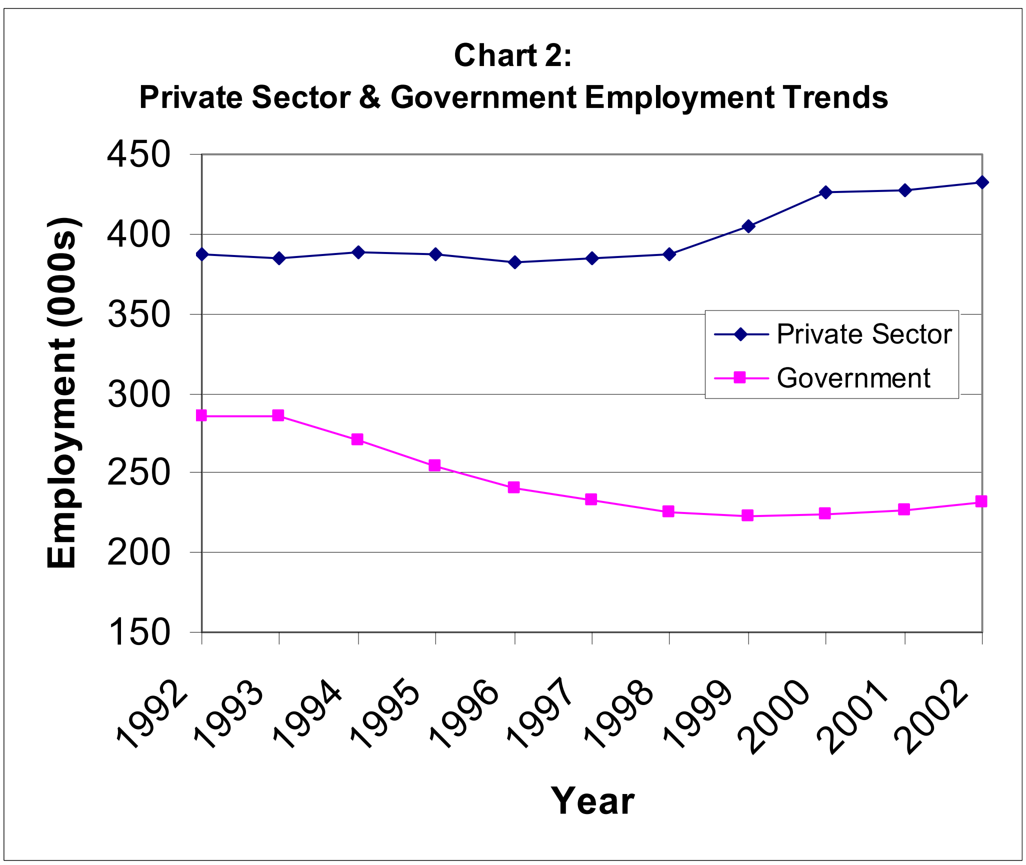
Chart 2:
Private Sector & Government Employment Trends
Employment (000s)
450
400
350
300
250
200
150
Private Sector
Government
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
Year

Table 1: Five Industries with Greatest Employment Growth from 1992 – 2002

Sector / Industry	1992 – 2002 Change	APGR*
Computer Systems Design and Related Services	6,500	8.9%
Legal Services	6,000	1.9%
Employment Services	4,200	4.8%
Social Advocacy Organizations	4,000	7.6%
Full-Service Restaurants	3,900	3.4%

Table 2: Five Industries with Fastest Employment Growth from 1992 – 2002

Sector / Industry	1992 – 2002 Change	APGR*
Computer Systems Design and Related Services	6,500	8.9%
Social Advocacy Organizations	4,000	7.6%
Arts, Entertainment, and Recreation	2,800	7.0%
Employment Services	4,200	4.8%
Management, Scientific and Technical Consulting Services	3,800	4.4%

Table 3: Five Industries with Greatest Employment Growth from 1998 – 2002

Sector / Industry	1998 – 2002 Change	APGR*
Legal Services	5,300	4.2%
Scientific, Research, and Development Services	2,300	4.1%
Computer Systems Design and Related Services	4,900	15.3%
Architectural, Engineering, and Related Services	1,300	5.7%
Social Advocacy Organizations	2,700	11.4%

Table 4: Five Industries with Fastest Employment Growth from 1998 – 2002

Sector / Industry	1998 – 2002 Change	APGR*
Computer Systems Design and Related Services	4,900	15.3%
Social Advocacy Organizations	2,700	11.4%
Architectural, Engineering, and Related	1,300	5.7%
Advertising and Related	1,200	5.7%
Radio and Television Broadcasting	1,000	6.5%

Source: Wage and Salary Employment by Industry and Place of Work, District of Columbia Annual Averages, 1992-2002, Department of Employment Services

* APGR = Annualized Percent Growth Rate

The trends show the impact of government outsourcing (discussed in greater detail below). Of the detailed industry groups, Computer Systems Design was at or near the top for both periods, in terms of both absolute growth and rate of change. The Legal Services sector has also experienced robust growth in the District, partly due to law firm relocated offices from the suburbs, and partly due to increases lobbying and transaction activity. The period of 1998 to 2002 saw two additional trends—an increase in federal employment (although not sufficient to offset losses earlier in the 1990s), and an increase in the construction trades spurred by the building boom. One further prospect, Radio and Television Broadcasting, has already been targeted by the Downtown DC BID as a potential growth sector for the downtown.

Core Industries

Dr. Stephen Fuller of George Mason University has identified four core industries that drive the District's economy: the Federal Government (both directly and through procurement); Hospitality (hotels and restaurants); international business; and higher education/research. The assessment of these core industries is as follows:

- Federal employment in the District has been declining while procurement spending has soared, but in both cases the District has lagged the suburbs. Federal procurement is now responsible for a larger share of economic output in the region than direct employment, but the District accounts for less than a third of total procurement in the region (this is discussed in greater detail in the next section). While the District should retain as much federal employment as it can, the real opportunity lies in capture a greater share of procurement spending.
- The hospitality industry is still strongly centered in the District, but will only remain so to the extent that the District remains the focus of business and leisure travel. The District's share of this industry is being eroded by the growing amount of business travel generated in the suburbs.
- International business is also centered in the District. The foreign missions, and the offices of global economic organizations such as the World Bank Group and the IMF, represent a major economic sector in their own right with a cumulative direct economic impact in the region of over a billion dollars, and much more in terms of contracting. Even more importantly, the concentration of these missions and institutions in the District makes it a unique place to conduct business for any company engaging in international investment or transactions, or firms that facilitate same.
- The District has an incredible wealth of higher education institutions, with 11 universities and colleges with a total student enrollment of 77,000. The District also, by virtue of the federal labs, receives more federal R&D dollars than all but nine states. With this amount of spending and talent concentrated in the region, R&D activities will likely remain strongly concentrated as well. Particular research fields with strong ties to the District include IT; health (particularly clinical research); and economics.

Note that these core industries differ from the major industry groups noted in the prior section. They are truly the “export” industries of Washington, i.e., those that bring significant dollars from outside the region. The federal government imports tax dollars; the hospitality industry captures visitor spending; international business taps into foreign capital; and higher education functions as an “export” industry in many ways, by bringing money (in the form of grants, tuition and student spending), and talent (in the form of students and faculty) from around the nation.

Impact of Federal Procurement

While the federal government downsized itself in the District and region during the 1990s, this was largely accomplished by outsourcing certain services that used to be performed in-house. The growth of federal procurement in the Washington region throughout the 1990s has been truly phenomenal. The value of contracts awarded has increased by 126 percent over the 10-year period. The region accounts for about 13 percent of federal procurement nationwide.

Yet, the majority of these procurement dollars flowed to the suburbs, not the District. The value of contracts awarded in DC in 2001 was about $10.3 billion, compared with $15.6 billion in northern Virginia and $6.2 billion in suburban Maryland. The District therefore received less than a third of total contract value. Yet, the District is home to over a third of the contractors, meaning that DC contractors were receiving smaller contracts on average than their suburban counterparts.

A first blush, the District’s current capture rate is not out of line with its share of regional economic activity generally. The District currently accounts for about a quarter of total regional employment, yet captures nearly a third of federal procurement. Yet, much of what the District captures are services with low-value added and low rates of employment generation. The high value-added contracting—for technology and other consulting—has disproportionately ended up in the suburbs.

Although traditionally most federal procurement in the region was in the form of R&D spending and equipment and supplies, the most rapid growth has been in services, particularly computer services. An examination of what industries are receiving contracts bears this out: in the District, the federal government is primarily purchasing computer services and support; services to buildings; building design and construction; and management services and consulting. These purchasing patterns are evident in the rapid increase in computer-related employment in the District and region.

In order to capture a greater share of federal procurement, the District can pursue two strategies. The first is to assist existing companies to secure federal agency contracts, either as prime or subcontractors. Even simple actions, such as getting companies on the GSA list, would be of help. A second strategy is to actively recruit businesses that contract with the federal government. Many of these contractors are relocating from outside the region. They often locate in the suburbs through default, but might be lured to the District through more proactive marketing or incentives.

Retail Markets

Retail development has been identified as a key issue for Washington. More and better retail not only will result in increased employment and sales taxes; it also enhances neighborhood quality of life. Washington, DC offers four types of retail environments, all of which are underperforming:

- Downtown is the one location where the daytime employees, tourists, downtown residents, and destination shoppers from throughout the District can easily converge to support a multi-faceted retail District. The downtown can support both upscale multi-tenant shopping centers (such as the proposed Gallery Place) as well as vibrant street-level retail focusing on restaurants and a mix of local and national destination retail chains. The key will be to create continuity and critical mass, as well as provide the physical linkages necessary to bring all the potential market populations together.
- Washington also features several traditional "main street" neighborhood retail Districts and corridors. Some of these are thriving (Connecticut Avenue) while others languish (H Street NE). While essential to neighborhood identify and quality of life, the physical constraints of these Districts (small stores, shallow lots) and dependence on a walking trade makes their tenanting difficult unless a high density of higher-earning households is located within close proximity. Both the reSTORE "Main Street Management" approach, and the housing strategy, are key to bolstering these strips.
- Scattered throughout the District are several shopping plaza developments, some of which are quite old, and many of which are poorly tenanted. These types of developments are best suited to house modern supermarkets, which are in short supply. A key design challenge is how to accommodate the automobile without completely severing the connection with the street and neighborhood. Assistance with site assembly will likely be necessary to create more of these plazas. In the case of one existing plaza—Skyland in Hillcrest (East of the River)—the National Capital Revitalization Corporation (NCRC) is looking to obtain sole control of the multi-owner (15), fully occupied center and undertake a comprehensive redevelopment anchored by several large-scale national retailers.
- Washington has also attracted some limited superstore development. Examples include the Home Depot in Brookland and the forthcoming Costco on New York Avenue; the multi-story power center on 14th Street and Irving (in Columbia Heights) to be anchored by Target also fits into this category. These large footprint stores now account for a significant and growing percentage of retail spending. Attracting more such stores is essential to stem the spending leakage from the District. As large space-users for sales and parking, the key is to identify big enough sites with terrific access.

Each type of retail is important for different reasons. Downtown and big box retail has the most potential for generating increased sales. Downtown retail can also import sales from the tourist population. Thriving retail will make the downtown more attractive for all types of companies beyond those that interact with the federal government. Neighborhood retail directly impacts community image and quality of life. Shopping plazas can help accommodate more supermarkets, an important amenity for any neighborhood, and a necessity for those who don't have cars.

All types of retail perform other important functions in the local economy. Retail is an important source of entry-level jobs. Retail is also an avenue for entrepreneurship, particularly in the traditional neighborhood strips where lower-cost and smaller space is available. From a fiscal standpoint, more retail will infuse additional sales and commercial property tax revenue into the City's coffers. A comprehensive and aggressive retail strategy should be a cornerstone of the economic development strategy.

Spending leaks and some likely causes

The District of Columbia has 248,590 households, with an average household income of $64,400 and a median household income of $40,100. Based on the rule that one-third of income is typically spent on retail, Washington has a total spending power of over $5.3 billion, sufficient to support over 17 million square feet of retail (assuming sales per square foot of $250). Yet, according to the 1997 Census of Retail Trade, total sales in the District were only about $4.3 billion in year 2000 dollars, leaving a spending gap of about $1 billion. This gap, were it to be closed, could support an additional 4 million square feet of retail.

The above analysis only takes into account the spending of residents, and therefore represents an *underestimation* of Washington's true retail potential. In addition to its residents, approximately 440,000 workers travel from outlying areas into the District to work each day. Most work in the downtown. Downtown workers, depending on their location, typically spend between $2,000 to $3,000 per year on retail purchases close to their workplace. The daytime worker population should be able to support, at the low end, well over 3 million square feet of additional retail. (Because of higher downtown rents, sales of $300 per square foot are assumed.)

Moreover, Washington is a major tourist destination. In 2001, the most recent year for which data are available, Washington had over 18 million domestic visitors, two-thirds of whom were leisure travelers. The average domestic visitor arrived in a party of 1.7 people, stayed 2.4 nights, and spent $467 per party (including day trips). Assuming $200 was spent on food and retail, with the remainder going to lodging and other (the estimate is conservative, as many visitors are day trippers and one-third of overnight visitors stayed in private homes), domestic visitor spending totals $2.1 billion, enough to support 7 million square feet of retail. This does not even account for foreign tourists, who stay longer and spend more than domestic tourists.

Note also that the 2001 data include the effects of the terrorist attacks, which severely curtailed both domestic and international travel.

Finally, there is the long-term goal of accommodating another 100,000 residents in the district. At the national average of about 20 square feet of retail per capita, this new population provides support for an additional 2 million square feet. Therefore, the total retail leakage *today* from residents is sufficient to support 14 million square feet; once the population target is increased, the number increases to 16 million.

Washington is clearly awash in retail demand. The primarily problem is one of supply, in all of its dimensions: quality, quantity, and location. The District is not achieving anywhere near its retail potential because it lacks retail offerings that are convenient to its market populations and competitive with the formidable array of suburban competition. For example the downtown, which should be a thriving restaurant and shopping destination for both workers and tourists, lacks the critical mass and continuity of quality retail to attract either population. The neighborhoods could support more supermarkets and convenience retail, but sites have been hard to come by. The shortage of appropriate sites similarly inhibits superstore development. A comprehensive retail strategy should pursue retail in all four formats: downtown, main street, shopping plaza, and big box.

While the retail strategy should proceed on all fronts, it is unreasonable, given land constraints and the competition, to expect the District to perfectly capture 100 percent of the theoretical demand (and these represent rough estimates in any event). A target of stemming approximately half the existing leakage, or 7 million square feet, is chosen as a reasonable goal, although longer term a goal of 8 million square feet could be set depending on the success of the housing strategy.

The District's Revenue Base

Washington as a city is unique in that it is "stateless," and therefore must provide both city and state services to its residents. The District's state-like status also allows it to impose certain taxes not typically imposed by municipalities (or if imposed, only as a layer on top of state taxes). Yet, federal law limits the District's taxing power in a way that states are not constrained. The following is a summary of the major sources of general fund revenue available to the District government, and the proportion of total revenues that they contribute:

- **Real property taxes:** Taxes on real estate account for approximately 20 percent of the District's revenue, a far smaller proportion than most municipalities. This is in part due to the District's state-like nature that creates both the need and opportunity for other revenue sources such as income and sales taxes. Property tax revenue is also constrained by the large proportion of the total property assessment (over 40 percent by some estimates) which is off the tax roles.

With the property tax year beginning in October 2002, the District implemented an unusual property tax structure with escalating tiers of rates for residential, commercial, and unimproved property. This scheme is similar in intent to property tax systems in use in Pennsylvania that levy a higher tax on the assessed value of the land than on improvements, and serves to penalize land banking and encourage development. In 2003, property tax rates were $0.96 per $100 of assessed value for residential property, $1.85 for commercial property, and $5.00 for unimproved property (a whopping 270 percent increase over the 2002 rate).

- **Personal and rental property taxes:** These other components of the property tax contribute only about 2.2 percent of total revenues.

- **Sales and use taxes:** The District's sales tax accounts for a significant 18 percent of total revenues. With a significant amount of potential retail spending going uncaptured within Washington, this revenue source has the potential to contribute much more, if the ambitious expansion of retail space outlined above could be accomplished. (Note the different tax rates employed by the District: 14.5 percent for hotels, 10 percent for restaurants, and 5.75 percent for retail. Given spending patterns, these rates tax tourists more than workers and residents, and workers more than residents.)

- **Personal income taxes:** Because of its state-like nature, Washington levies a much higher income tax than is typical for a municipality. Accordingly, income taxes are the single largest source of tax revenue, accounting for nearly a third of all taxes and over 28 percent of all general fund revenues. The tax rate is 5 percent for the first $10,000 of income, 7.5 percent for the next $20,000, and 9.0 percent on income over $30,000 (recently reduced from 9.3 percent).

- **Business franchise taxes:** Net income of corporations having nexus in the District is taxed at the rate of 9.975 percent. Business franchise taxes account for nearly 6 percent of total revenues.

- **Permitting, fees and other:** Various other (non-tax) sources of revenue account for about 12 percent of total revenues.

The District has one additional source of revenue: federal aid. Because of the large service costs imposed by the federal government's presence in the District, the federal government has historically provided a payment to the District to offset these expenses, typically about $660 million in the 1990s. However, this payment has fluctuated over the years in response to political considerations, since it is not pegged to any sort of reliable metric (such as federal employment, the value of federal real estate, etc.) or to an estimate of the actual costs imposed by government operations. During the recent federal takeover of the District's finances, these payments fell to zero, as the federal government directly assumed most of the state-like services. With that period over, a more rational system of federal contributions to the District is in order.

Revenue Constraints and Structural Imbalance

Studies by the District's Chief Financial Officer show that compared with its suburbs, Washington's tax structure is generally a bit more onerous for individuals and households. The same holds true for taxes that fall on businesses. For reasons of competitiveness, if nothing else, the District is constrained from increasing its revenues through tax hikes.

The Brookings Institute has done considerable research on the District's fiscal "structural imbalance." Washington is home to more jobs than it has residents—at present count, the jobs to population ratio is about 1.16. Providing services for all these daytime workers consumes a significant portion of City expenditures. Yet, with only a third of these jobs held by DC residents, most of the income earned by these jobs cannot be taxed, as the District is prohibited by federal law from taxing non-residents. Moreover, with the concentration of federal and non-profit workers housed on tax-exempt property, many of these jobs generate practically no revenue at all. The shortfall has been estimated by the CFO to be approximately $550 million.

There are three methods of addressing this shortfall: (1) the federal government could make an annual payment to the District, pegged to some sort of rational metric such as the value of federal real estate, or number of federal employees; (2) the District could be granted the power to tax income earned within its borders, just as states do; or (3) as recently put forward by Alice Rivlin of the Brookings Institute, the federal government could make an annual payment to the District, pegged to amount of income earned by people working but not living in DC. (Later, we adopt the third option as the most practical, though the first two are the most economically rational.)

Housing and economic development

As seen from the above discussion, a fiscal logic emerges from the observation that income earned by residents can be taxed, while income earned within the District by suburbanites cannot. The District receives a limited fiscal boost from additional job creation. Therefore, one avenue of revenue growth is to increase the population of the District, and therefore the pool of taxable income. The residential strategy can work because the District's unique tax structure allows it to capture a greater amount of revenue from each household than municipalities which rely primarily on property taxes. At the same time, the expense associated with educating school children in the District means that the fiscal benefit is highly sensitive to the income of the households and the proportion that are comprised of families with children.

This situation has been illustrated by the household-level fiscal impact estimates prepared by the Brookings Institute as part of their position paper setting forth the goal of increasing the residential population of Washington by 100,000 people. Brookings has recommended a mix of market rate and affordable housing to accomplish this goal, as well as a target population of families not to exceed 60 percent of total new households. These public policy goals are laudable, and likely achievable. Yet, the report demonstrates that from a purely fiscal standpoint, households with children have a negative fiscal impact even accounting for the variety of taxes paid. The magnitude of this impact may be less than in some jurisdictions, but it is still significant.

At the present time, the issue is naturally resolved by the poor performance of District schools. New residents will, through self-selection, primarily consist of childless individuals and couples, empty nesters, and the very wealthy for whom private education is not an issue. As the younger population marries and makes plans to raise a family, those with the financial resources to make a choice will either move to suburban school Districts or opt for private education. Yet, the current situation—where a predominately low-income population must rely on an underperforming school system—is clearly untenable. While improvements in the public schools will clearly affect the demographic makeup of the District, the fiscal impact can likely be accommodated within the framework contemplated here, where the total taxable income, taxable retail sales, and tax ratable development are all significantly bolstered.

4 Objectives And Strategies

The following chapter presents 10 economic development objectives intended to guide future economic development planning in Washington. This list contains a mix of new objectives and objectives already adopted in one form or another as District policy. For the objectives that already exist, we have included them not simply for completeness, or to reaffirm them, but to hopefully inject some new thinking with regards to their implications and implementation. The 10 objectives are listed below:

1. Use a sector approach that builds off of core assets to diversify the economy with 120,000 new jobs.
2. Reduce retail leakage by half of what is lost to the suburbs, and keep pace with increasing population, through the development and upgrading of $8 million retail square feet.
3. Manage retail development to create value for downtown and neighborhood main streets—not just to meet demand.
4. Double tourist spending in Washington D.C.
5. Complement and extend Washington's tourist and "City beautiful" amenities to redefine its common perception as the home of bureaucrats and poor people.
6. Act strategically with regard to the large campuses and areas available for redevelopment.
7. Think regionally with regard to smart growth and fiscal policy.
8. Generate 50,000 new housing units for 100,000 new residents.
9. Continue to take a whole neighborhoods approach: it is about "home" not just housing.
10. Adopt housing/neighborhood strategies that minimize gentrification, support neighborhood stabilization, and promote integration—consistent with DC's commitment to social diversity.

Details of each goal are provided in the sections that follow.

1. Use a sector approach that builds off of core assets to diversify the economy with 120,000 new jobs.

1.1 Protect the city's core industries: government, learning and research, hospitality, and international business.

Washington is a company town; only the company is the federal government. The same subtexts are there: imperiousness met by aggrievement; heavy and hidden hands; whom you know not what you do. These tensions are natural.

Washington has other core industries, including hospitality, learning/research, and international institutions/business. While much smaller in terms of impact, they are not free of conflict either.

The District's eleven colleges come with their own "town and gown" tensions, replicating on a neighborhood basis the same issues noted above for the federal government on a citywide basis. Resentments have arisen against the foreign missions and international finance entities due to their tax-exempt status. Hospitality heavily depends on the health of the other core industries, in addition to tourism.

Details

- The federal government employs 329,000 in the Washington region, with 192,000 of these employees located in the District. This is down 17 percent from what it was 10 years ago.
- Outsourcing disguises the true number and trends. Federal procurement spending went up 100 percent during the same period, with a shift of spending and thus jobs first and foremost to the suburbs (Virginia more than Maryland). The good news is very little spending left the region (due to the need for proximity to the center of decision making).
- Commuter ratios are not as bad as pre-supposed. Well over two-thirds of all DC residents work within the District. By comparison, one-half of all regional residents on average commute outside of their county. Similarly, roughly one-third of all District jobs are filled by DC residents. Even if all DC workers worked in the District, they would occupy fewer than half of all District jobs.
- Much of the city's diversification is in fields like law and social advocacy where proximity to government and elected officials is important. Decentralizing government would lead to the decentralizing of these sectors too.
- The federal government, colleges and international institutions also generate significant business for the hospitality industry. Hospitality would likewise be negatively impacted by decentralization.
- Governments tend to grow or remain stable—they rarely shrink after accounting for outsourcing. Nor, except in times of national emergency, do they grow that fast (as for example Washington did during the Second World War). Washington and its region are blessed by much smaller boom/bust cycles.
- There is a constant demand for new and better quarters for government agencies, and, given Executive and Congressional involvement, some arbitrariness in how these decisions are made.
- Centuries of real estate investment by the federal government do not guarantee protection for the District. As Albany and Paris each testify, governments are capable of keeping their symbols downtown and moving their staff to the suburbs. Washington currently benefits from a 60/40 rule with regards to preferences for government facility locations vis a vis the suburbs—but this is subject to political whims as well.
- Security is increasingly a site location and design issue, even for relatively obscure agencies. It is harder to secure downtown facilities against all manner of terrorism than sites that offer controlled perimeters and entry. This could prompt some moves to the suburbs, if not appropriately dealt with.

- Buildings that put top priority on security also are less desirable from an urbanistic point of view: the best urban environments mix, for example, ground floor retail with offices and housing above. This conflict is front and center at the forthcoming New York Avenue Metro stop, where a government facility promises to create a long blank wall along a main pedestrian route to the station.
- Washington likely has more college students thus professors and college staff than any other city of its size or larger in the nation. More than 75,000 students attend American University, Catholic University of America, Gallaudet College, Georgetown University, George Washington University, Howard University, the National Defense University, Southeastern University, Strayer University, Trinity College, and the University of the District of Columbia.
- Many of these institutions are hemmed in by their neighborhoods. Some want to expand; during the lifetime of the new Comprehensive Plan, others will too.
- There is the prospect that other learning institutions from across the nation will want a presence in Washington. Since the world has become uni-polar, so might international learning institutions. Why not an "Academy of Washington" to match that of Rome, for example?
- As often bemoaned, government and non-profit institutions do not pay real estate taxes, though the latter can often be imposed upon to make payments in lieu of taxes (PILOTs).

Strategies

- Take a positive attitude toward the expansion and building of Federal facilities in the District. In fact, lobby for their continued presence.
- Identify building forms, areas, and sites that can reconcile security and urbanism. As examples: office buildings that step back 80 feet behind (not above) ground floor retail; potential pedestrian zones adjoining downtown; and controlled entry sites like the one identified for a non-profit office campus along Irving Street Northwest (would that this campus could be swapped with the Columbia Heights Metro site!)
- Take a positive attitude toward the expansion of learning institutions (as well as think tanks, labs, etc). Only such expansion need not happen next to their main campus. DC is the unusual beneficiary of a number of campuses and an extensive transit system that is gaining in ridership, stops, lines and connections. These provide alternatives to institutional leapfrogging to the suburbs.
- Seek PILOTs or other compensations. For example, DC could direct federal offices and non-profit institutions to DC-owned land where rent can compensate for real estate taxes; or to sites that are otherwise cost-prohibitive for the private sector to redevelop. These cost-handicapped sites include brownfields, development over rail yards or depressed highways, sites entailing condemnation and relocation, buildings warranting expensive historic restoration, etc.

1.2 Build off of DC's unique assets to bolster existing and promote new sectors.

Diversification is the holy grail of all company towns. A sectoral approach to economic development is the best method to promote diversification. And looking on "the company" as a sectoral asset is usually the best way to diversify. In short, when it comes to diversification, DC should look to government and the other core industries as the sectors off of which to build. The focus should be on the contractors and others that provide inputs into the core industries, or are otherwise tightly linked.

Details

- Federal government outsourcing regionally has created 195,000 jobs in the private sector. To expand and flourish, these firms will increasingly seek to diversify their client base.
- Proximity to the national seat of power creates a built-in demand for all sorts of sectors. These include lobbyists, think-tanks, media, international finance, and especially law. And again, to expand and flourish, many of these firms will seek to diversify their client base.
- These uses prefer to be where they can have face-to-face contact with public and elected officials, as well as each other. Downtown boosters report that in the recent past, law firms alone brought 10,000 new employees to downtown; 6 million square feet of office space was built, 68 percent of which was pre-leased; and the office vacancy rate declined from 11 percent to 7 percent. Downtown reportedly now has a lower vacancy rate and higher rents than the suburbs, with firms moving back in rather than out. At its current pace of 1.5 million square feet per year, downtown will be built out in five years. This poses a challenge as to whether, where, and how it might expand.
- Similarly, a 7 million square foot office District is springing up around the Navy Yard, in response to the further requirement that companies doing business with the Navy maintain close quarters.
- Procurement of computer services has been one of the strongest growth trends, both in the District and the region. Employment in Computer Systems Design and Related Services has grown steadily since 1994, actually accelerating in 2000 when the tech sector elsewhere went bust. The sector grew faster than any other in the District during the 1990s and through 2002. A migration of computer talent to the region in search of jobs will help stimulate future regional growth when the tech sector eventually rebounds.
- The federal government can be reasonably expected to stay stable or grow. The much ballyhooed emergence of the United States as an imperial power is likely to generate even more of a need for outsourcing, linkages, etc. The new Department of Homeland Security will likely have a healthy appetite for both computer services and specialized consulting.
- With the presence of the World Bank, International Monetary Fund, the Inter-American Development Bank, and foreign missions—in addition to the federal government—Washington is said to offer the top foreign investment market in the world. DC could come to specialize in international finance and/or the interface of private and government investment.

A possible location to house such operations is along Pennsylvania Avenue in the West End, proximate to the World Bank and IMF headquarters.

- Likewise, the continued merger of national companies and internationalization of business creates reasons for companies to seek out locations with international airports and contacts. Again, this can be expected to spur more corporate site location interest in Washington, though much of it will go to the region since the need for face-to-face contacts will be less.
- Besides government, Washington benefits from an unusual conglomeration of colleges, think tanks, non-profits, and hospitals. These are here because of government, but they are in sufficient number to make up a sector all their own.
- This conglomeration creates demand for all sorts of services, including printing, public relations, survey work, graphic design, catering, etc. Some of these services can be expected to gravitate to less expensive suburban locations, as apparently the printing and publishing sector has found in northern Virginia.
- Washington's talent pool also provides opportunities for new niches to augment the existing ones. Thus, DC can reasonably hope that a biotech, high technology, media, medical research or similar sector will emerge to the point where it too will have its own sustainability.
- Government has a very mixed record when it comes to picking winners and losers. (For that matter, so does the private sector, as evident from the stock market.) DC, for instance, had a policy to promote a high tech District in NoMa. But most of the high tech firms located in Foggy Bottom, and then the bottom fell out of the high tech sector altogether (although the sector continues to expand in the District and region).
- Most cities are constrained by the lack of a highly educated workforce. Not Washington, due to its many colleges, opportunity for urbane living, attractiveness for people from all across the nation, etc.
- Washington does have an expensive housing market. But other cities with such national appeal (Boston, Los Angeles, New York City, San Francisco) are significantly more expensive to live in. (And to conduct business in, as well.)
- The risk remains that in the "knowledge sector"—as one observer called it—long-term residents with less education will be left behind.
- To mitigate that impact, DC Revenue Bonds have raised approximately $3.6 billion, $2.5 billion of which have been raised under the current mayor. Two agreements are insisted upon as part of the financing: first, to make a good faith effort to hire District residents for half or more of all new jobs created; and second, to make a good faith effort to contract with local small and disadvantaged business enterprises (LSDBE). These agreements—setting a 50 percent goal for LSDBEs—have been effective, resulting in more than $250 million directed to District businesses and producing 2,000 jobs.

Strategies

- Consider extending the DC Revenue Bond agreements targeting local residents and small and disadvantaged enterprises. For example, DC might require similar agreements in connection with the sale of publicly owned land or in connection with other projects involving discretionary approvals for zoning or tax incentives.

- Create a new community college in the District; and complement it with a full array of job training and placement resources. True, DC residents can now attend State colleges in Virginia and Maryland at the same price as citizens of those states. But with community colleges, proximity and convenience to home is key. Since students are often juggling home, school and work. A location in downtown or East of the River is preferred. St. Elizabeth's Hospital may be a logical site if transit could be improved.
- The community college could be a new institution, or allied with the University of the District of Columbia (which may seek to diversify in light of shrinking attendance), or a satellite of one or several other institutions in Virginia or Maryland. We suggest whatever is most practical.
- Conduct an honest appraisal of each new promising sector as it emerges. Part of the purpose of the analysis would not only be to consider whether there is demand, but also what might distinguish Washington from its suburban and national competition. More analysis is needed to understand why businesses locate outside of DC, and what types of land use and taxation policies are needed to change this trend.
- Start with federal contracting, which represents by far the largest potential market, and which is already heavily located in the suburbs. Apply a two-pronged approach, both helping indigenous firms apply for and win federal contracts; as well as active recruitment of contracting firms from outside the District and/or region.
- Also consider bio-technology and research, which, in our interviews, sparked the most interest. But too many cities have great hospitals, colleges, and an avowed interest in this sector. This illustrates why analysis should precede action.
- Look to missing ingredients for success; the reasons why the private sector has not yet acted on its own; the "but for's", using the jargon of the old Urban Development Action Grant (UDAG) program. These might be the availability of a secure campus (which DC could provide); substantial public subsidies (which DC cannot afford); risk capital; infrastructure improvements; appropriate zoning; etc.
- Specifically, investigate whether there is any barrier (such as banking laws) to certain sectors that are typically found in large metro area downtowns (such as banking). As the metro area continues to grow, the financial services sector, both domestic and international, may start to consider Washington as an alternative location to New York.
- Continue to funnel office development for the tech sector and "knowledge sector" to downtown. Look to NoMa, the area adjoining Union Station, and the Mt. Vernon Triangle as expansion areas. (But, as discussed elsewhere, marry office development to retail and housing, so as to foster a more "24/7" environment.) In general, analyze office market trends to develop recommendations and land use policies to support expected demand.
- Don't neglect the less glamorous yet still important services. For example, demand for services to buildings will continue to increase with the rapid pace of development in the downtown and elsewhere. Such services can provide significant employment for individuals without secondary education; yet, the District is not adequately capturing this demand. The

DC school system should consider a stronger vocational program in the building trades (maintenance and repair) to better prepare residents for jobs in this sector.

- Emphasize the role that workforce development can play in overall economic development programs. For instance, the city's First Source Program could be strengthened to link DC residents to local jobs, apprenticeship opportunities could be increased for DC youth, intensive workforce development initiatives could be launched for disadvantaged populations such as ex-offenders or high school dropouts, and legislation could be considered to increase provision of workforce development services to District residents. Students should be trained with computer skills and the other skills needed to take advantage of job opportunities in the city's growth industries.

2. Reduce retail leakage by half of what is lost to the suburbs, and keep pace with increasing population, through the development and upgrading of 8 Million retail square feet

2.1 Aggressively seek sites and situations where all manner of retail development can be built.

Retailing promises to provide the next building boom in Washington.

Details

- The city is vastly under-stored. By our estimates, it "leaks" enough spending to support the equivalent of 14 million square feet of retail—16 million, if 100,000 residents are added to the city's population. Realistically, the city could probably recapture maybe half—8 million square feet—given the number of large shopping centers and business Districts that are just over the city boundaries.
- Still, 8 million square feet is an ambitious program, representing more than a one-third increase in the city's inventory of 21 million square feet.
- Washington's timing to recapture retail is particularly good. First, most of the nation is in recession, but not the seat of its government, which remains stable in budget notwithstanding outsourcing and tax cuts. Second, retailers do not like to invest when populations are declining in size or income, as was true for decades. They like to jump in when both are rising, as is true now. Third, national chains and franchises have largely saturated the suburban market, where they are now building generally to cannibalize each other; inner cities are their new frontier.
- Building retail is inherently in the city's interest. First, it is a vast provider of service jobs. Service jobs in Washington are the equivalent of industrial jobs in most cities: the main source of employment for the District's less affluent populations. It is reasonable to expect that Washingtonians will fill one-third or more of these jobs. At present, the District has roughly half as many retail jobs as the national norm (7 instead of 15 percent).

- Second, retail is a form of tax ratable development, all the more thanks to the city's ability to tax income.
- Third, the absence of retail is a two-fold inconvenience to residents: first, it takes longer to shop out of the city; and second, in the absence of meaningful competition, retailers can provide lower quality at higher prices than otherwise. Both of these are particular burdens for cash-strapped, car-less lower-income residents.
- It will not be easy to accommodate this much retail. As the place of maximum convenience to the maximum number of people, downtown should be the primary target, and there are some key sites (e.g., the former convention center). But downtown is largely built out; observers give it five years.
- Shoe-horning of retail into existing transit-oriented Main Streets will be daunting, and only possible in high-income areas. The power center being built at 14th and Irving in Columbia Heights, for example, involves multi-story retail and an expensive garage.
- Large format retail along the high volume corridors can only happen at the expense of other uses—industry along New York Avenue, housing along Georgia Avenue.
- As discussed later, Georgia Avenue is constrained by shallow lots; the needed sites would disrupt the adjoining neighborhoods. New York Avenue offers larger industrial sites; but the needed sites would entail industrial displacement.
- Yet there are several compelling reasons to consider superstores along New York Avenue. It has the needed traffic volumes, with 26,000 cars at the city boundary. It is a major commuter route so that the superstores will in fact not just recapture retail expenditures. As a major gateway for tourists as well, the District would benefit from its upgrade and this upgrade could be financed in part through Tax Increment Financing (TIF).
- Attracting the right retail mix is also an issue, particularly along corridors and in neighborhood commercial districts. While the city as a whole may be understored, some areas have an overconcentration of certain uses (beauty supply, auto repair, etc.).

Strategies

- Direct most retail development to downtown, so as to create a regional shopping destination. Avoid the mistake of many other cities that created indoor, inward looking malls. Insist upon lining the exterior with stores and entries. Avoid the mistake of other cities that allowed malls in close proximity to downtown.
- Redevelop portions of New York Avenue for superstores. Obviously, this involves a trade-off with preserving industry, so careful selection of sites is warranted. As elaborated upon elsewhere: most of the corridor should be saved for industry; small and ancillary stores, which would drain life out of the specialty Main Streets, should be prohibited; new superstore development should be contingent on roadway improvements to this important gateway.
- Continue to recruit chains and franchises for the larger Main Streets and Corridors, such as Georgia Avenue. Continue to be willing to spend public largesse on shoehorning new anchors into existing Main Street and corridor sites.

- Elsewhere, worry less about the competition posed by superstores, than about the possibility of spin-off retail development. The superstores will recapture DC resident spending power more than they will siphon off from smaller stores in the traditional centers. But if built with a complement of small stores, they will create new main streets that compete with the existing.

3. Manage retail development to create value for downtown and neighborhood main streets—not just meet demand.

3.1 Carry on with the already quite successful efforts to revitalize downtown.

The Downtown DC Business Improvement District (BID) and City have struck the right balance of zoning, marketing, events, and project management. The object has been and should continue to be to create destinations linked by a walkable built environment. The challenge remains that downtown is and will continue to sprawl.

Details

- The BID goes roughly from 14th Street to Union Station, and from Massachusetts Avenue to the Mall.
- But DC and the BID appropriately consider downtown to stretch from Georgetown to Capital Hill.
- This area takes in not one retail District, but at least four with a clear identity (Georgetown, Dupont Circle, downtown proper, and the Union Station mall); and others of a smaller or more dispersed nature. Each of these Districts only partly competes with each other, since each addresses a slightly or very different niche. The analogy is Manhattan, where Madison Avenue, the 14th and 34th Street discount rows, Chelsea, the Villages, and SoHo complement the midtown District.
- All of these business Districts are basically sound if not thriving. Whatever their intrinsic limitations might be (lack of continuous retail, lack of parking), with the city so understored, they have a captive market.
- It is a sprawling area, thanks in part to a building height cap that prompts low-scale buildings. While such buildings are appropriately scaled to the type of office tenant Washington attracts, it makes it harder to achieve the densities and mixing of uses associated with other successful downtowns. Certain zoning tools, such as incentive zoning or transfer of development rights, also become less useful.
- Each business District has its own limitations and issues. Georgetown can be considered a victim of its own success, with a level of congestion that poses a nuisance to its residents. Dupont Circle appears to have limited space in which to expand. When all is said and done, Union Station is a downtown mall and food court.
- Most important, in the traditional downtown, much new office development is absent retail; when provided, it is discontinuous; the broad L'Enfant avenues discourage pedestrian-

oriented shopping; and the model that developers and tenants prefer for large-scale retail development involves inward looking malls that capture all of their own spin-off (e.g., Gallery Place); office building cafeterias keep workers inside; even tourist attractions (theaters, MCI Center, the Convention Center, Spy Museum) are intrinsically inward looking. The downtown lacks streetlife.

- Other problems in downtown include a real or perceived lack of parking; the presence of only one department store as a retail anchor; and the psychological and real distance between downtown and the tourist attractions concentrated on the Mall.
- DC and BID have affirmative strategies for dealing with these problems—so many and of such complexity that we are sure that we are aware of only a portion of what is being done.
- But to highlight two important strategies: District government and BID are making a major effort to lure tourists to downtown with the new convention center, the Spy Museum, and a proposed transit loop. And the District and BID are making a major effort to promote downtown housing.
- The BID has an excellent reputation among those that we interviewed for effectiveness; the BID speaks highly of the the City's efforts. There is not the usual finger-pointing or jealousies. This speaks well to the consensus of what needs to be done in downtown, and that there has been meaningful progress.

Strategies

- Carry on. In fact, all of the recommendations here are made with the proviso that they are probably being done, but that there was not enough time to bring them fully to our attention.
- Continue to promote downtown living. Residents add to spending power, but more importantly, contribute to a "24/7" environment. In this respect, the types of housing built downtown matters more than the number. For example, SoHo was, at the height of its fame as an arts District, home to only 2,000 artists. Seattle's skid row was, at the height of its infamy, home to maybe several hundred homeless people. The current emphasis on luxury rental housing is all to the good, but could be diversified with loft or artist housing on the upper floors of older buildings.
- Continue to target tourists. As discussed earlier, tourists could support as much as 7 million square feet of retail space in the city and immediate environs.
- Tourists and residents are especially important for dining, which can make up as much as 50 percent of a successful downtown's retail count. Workers generate demand for lunch trade mainly; residents for evening and takeout; tourists for weekend; thus allowing an eatery to amortize its cost over many more meals.
- Think in terms of transit loops and wayfaring that not only target specific groups but also shrink the image of downtown down to a manageable size. An east/west route may prove as important as a north/south route, in this respect. The positive image engendered by frequent service of a trolley or fun mobile may be more important than actual ridership.

- Promote continuous retail. Define where ground floor retail will be mandated, incentivized, preferred, and forsaken. Mandate that cafeterias, etc. be on the ground floor and open to the public.
- Protect “inefficient” retail spaces. Downtowns flourish where there is a variety of retail spaces peculiarly matched to the particulars of each business. Focusing just on eateries as an example: cheap, out of the way spaces, with columns, wide sidewalks and character for cafes; high visibility and plenty of foot traffic spaces for fast food and ice-cream; high-ceilinged spaces for entertainment-oriented restaurants; small, intimate spaces for romantic eateries; inexpensive second-story spaces for ethnic or specialty restaurants; large unobstructed spaces for catered events.
- Do not sacrifice pedestrian amenities for parking or vehicular access. As Georgetown demonstrates, people will absorb the hassle; if they put a premium on convenience, there is no way to compete with the typical suburban mall and shopping center.
- Instead, seek creative solutions to parking: shared parking (e.g., cannot build structured parking unless the most convenient floor is available to the public); muni-meters (with different cost structures that promote fast turn over of the prime spaces); diagonal parking (which increases the amount of parking by 25 percent).
- Develop new retail anchors for downtown. Obviously, this includes a department store. But another model is a multi-level version of Ladies Mile in Manhattan (a format that Forest City has explored, essentially replicating a department store in breadth and drawing power). An equally compelling model involves replicating the success of Reading Market in Philadelphia and Pike Place Market in Seattle: a public market with specialty food stalls and informal eating areas (not a food court), catering equally to tourists (Reading is next to the convention center), downtown residents, and workers. The first place to consider all three models is across from the Convention Center, on the old convention center site.
- Continue to put a priority on tourism and entertainment anchors in downtown.
- But also put a priority on tourism and entertainment elements that create more street life. Examples include vendors, cafes, street performers, plazas programmed with special events, and streetscape design features that are fun (e.g., mobiles instead of stabiles, fountains, colored lights). Providence, for example, has animated its waterfront with fire displays in the river; Boston has animated its North End with a yellow brick historic trail.

3.2 Continue to take a Main Street Management approach to the city’s smaller business districts.

Washington’s main streets do not amount to all that much retail space. One Wal-Mart is the size of an entire District! But each is central to the quality of life of its neighborhood—both as an amenity, and as a generator of identity. The strength of such a Main Street is in its diversity—of shops, eateries, a plaza or green, a library, a post office; and in its pedestrian-friendly character—comfortable places to sit, stroll, people-watch. These ingredients are best created through the sum of small efforts such as tenant recruitment, traffic calming, façade improvements, streetscape enhancements, etc. The reSTORE DC Program has already made the leap to this position.

Details

- Approximately a dozen business Districts are now addressed by the reSTORE DC program, which targets these Districts for grants and technical assistance.
- The kit of tools includes tenant recruitment, traffic-calming, façade improvements, streetscape improvements, parking enhancements, historic preservation, upstairs living, business improvement Districts, joint marketing, special events, etc. Each of these tools has its own nuances.
- Using façade improvements as one example: such improvements will have little impact on the marketability of a District that taps a captive market. Usually technical assistance can be more effective than grants, since the small dollar amounts are not in scale with the large amount of paperwork. Uniform treatments (including historically tasteful homogenization) should be avoided. But they may be preferred on very long shopping streets where traffic passes by quickly; or conversely tiny retail nodes. And so forth.
- The point is, each district should receive individualized attention.
- Similarly, DC staff should be problem-solvers with an eye on placemaking, not business promotion or historic preservation as ends in themselves.
- Thus DC should avoid anything that devolves into standard practice. In this respect, the DC approach involving multi-year but diminishing amounts of start-up money for each business District works well (grants start at $80,000 and decline to $20,000 by the fifth year). This forces groups to be strategic in what they do.
- Finally, all of the elements of successful neighborhood planning come into play here as well: recruiting community based organizations (such as merchant associations) as partners, engaging stakeholders and institutions, tapping citywide resources to deal with local issues, processes that engage consumers and merchants alike, expectations management, visioning, etc. Notably, reSTORE has insisted upon and found a partner for each of the targeted main streets.

Strategies

- Again, carry on. This is a young program that deserves considerable support.
- Generate business district plans that speak to the individuality of each district. Use market studies to both manage expectations and to discover latent markets. For instance, U Street, despite its fascinating history, is no longer the center of a multi-class African American community. It needs to re-tool.
- It and the other business districts can re-tool with a market niche strategy. These downtowns cannot compete with the shopping center for convenience or for chains. They should instead emphasize niches based on unique stores and services.

- Use business district plans to segue into neighborhood plans, and vice versa. This will assure connections to the bigger picture. For instance, Good Hope Road's revitalization is largely tied to that of the adjoining Historic Anacostia neighborhood.
- In particular, seek linkages such as transit-oriented development, shared parking, new Metro stations, site locations for new community facilities, etc. This is demonstrated by the Reeves Center near the U Street Metro Station.
- Avoid homogenization. For example, the popular 19th century style lighting fixtures used in one 1930s/1940s shopping District had the right pedestrian-oriented scale, but the wrong style.
- To illustrate with Georgia Avenue (which we were asked to focus on as a case in point): The shopping District has many of the problems associated with other defunct trolley routes. The small building footprints and shallow lots that worked in that era are inadequate for auto-oriented retail; and the shopping is too dispersed to become a destination. Emphasis on different nodes is in order, each deriving strength from different anchors or conditions. Multi-family housing could be promoted in between. This will take some time. In the meanwhile, emphasize streetscape improvements such as tree planting, landscaping, and signage—unifying elements that are appreciated both on foot and in vehicles passing by at 40 miles per hour. Given the likelihood of redevelopment within the corridor, the design styles can (and perhaps should) be contemporary in style. The vision would be something akin to what Connecticut Avenue has evolved into.
- Create a newsletter for all of the Districts, allowing groups to showcase what they have done (good for pride), and to present best practices from around the nation (good for copycatting). Note that thanks to the local presence of the National Main Street Center of the National Trust, this newsletter should be easy to do.
- Tap into the National Main Street Center, Urban Land Institute, and other think tanks as resources. Mind that each has its own way of approaching things that tends to prejudice their recommendations. But that is a small price to pay for such talent.
- Keep the department on top of the latest trends. Retailing, unlike housing and industry, is fast changing. In the past 20 years alone, most department stores have gone out of business, malls came to dominate yet are now on the defensive, festival markets were all the rage and are now failing, category killers and catalogues are making inroads, while Internet shopping has yet to do so though is still expected to, and Americans have rediscovered the value of traditional shopping Districts. Travel to conventions, training sessions, etc. should be promoted.
- Alongside the Downtown and Main Street retail strategies, a parallel effort should be launched to improve shopping opportunities in neighborhoods that do not have—and never had—traditional Main Streets. Many of the neighborhoods east of the river developed during the automobile era with auto-oriented shopping centers. Retooling and improvement of these centers, and development of new centers, should be explored.

4. Double tourist spending

4.1 Increase tourist visitation.

Washington ranks fifth in the nation in terms of tourism. Why bother increasing its capture rate? Because we can! And there is no reason not to. Like Rome and Miami, Washington was designed to be a destination, not an industrial city. It thrives on the dollars spent and positive image thus created. It will not lose its authenticity thus.

Details

- 18 million domestic visitors come to Washington DC each year, staying an average of 2.4 days. 1.2 million foreign tourists visit DC, staying longer, an average of 5.5 days.
- Washington is the equivalent of a nationalistic Mecca—at some point or another, just about every American will want to visit or take his/her children here.
- Washington further benefits from superb access—three airports, Amtrak service to the nation's main port of entry in New York City; a location at the south end of the most densely populated part of the nation; and a neutral image insofar as the culture wars between north and south, east coast and heartland. Accordingly, more people arrive by air or rail than is typical for national tourism as a whole, and New York is Washington's prime "feeder" market.
- The District further benefits from a vast array of cultural, architectural, and especially historic attractions.
- Unfortunately or fortunately (depending on the individual's own interests), many of these attractions are esoteric. Examples might include the B'nai B'rith Klutznick Museum, National Postal Museum, or Newseum.
- Some are not esoteric, but are either remote or not top priorities in a city with similar and larger venues. Examples might include the Ansel Adams Collection when put up against the Corcoran; Dumbarton Oaks when put up against the National Arboretum; the 14th Street theaters when put up against the Kennedy Center; the Museum of the City of Washington when put up against the Smithsonian.
- The Spy Museum has new broken ground by showing that the tourists will spend money for the right attractions. There may be a limit to how much; after all, the vast majority of attractions remain free of charge.
- But the Spy Museum also shows something else. Most of DC's other attractions are indoor and outdoor displays. The Spy Museum is perhaps best categorized not as a museum, but as entertainment.
- DC's visitors are, by comparison, wealthier and stay longer. While a strength, this points out that the District is not fully tapping a young adult crowd, who perhaps are more interested in entertainment than sites.
- Washington ranks only eighth as a destination for foreign tourists visiting the United States. This points out that the District cannot rely on its status as the national capital to lure foreigners the way it does nationals.

- With the new convention center, the city is taking advantage of (as much as augmenting) its vast array of attractions, shopping and dining, and airport connections. The convention center is already, based on advance bookings, fulfilling high expectations.
- The experience of other convention centers is that if they are successful, they almost immediately need expansion and supplemental venues. New York City's convention center is already considered too small, and a substitute for the old Coliseum space has been created along the Hudson River waterfront.

Strategies

- Immediately start planning for the expansion of the convention center, and exploring places where smaller venues might be accommodated—perhaps as part of the program for the old convention center, or at the waterfront, or next to Union Station.
- Promote more entertainment (especially nightlife, as discussed elsewhere). Also promote more active recreation venues (such as Chelsea Piers in Manhattan, as also discussed elsewhere). DC need not spend its capital on traditional historical and art museums and monuments; others will.
- Approach the District's array of attractions as would a publicist: the well-placed article or image is more important than the broad campaign. There is no need to market Washington in the usual way. Few cities are more highlighted on the tourist map.
- Aim at creating complementary attractions that will draw more young adults. Examples include active recreation, out-of-the-mainstream arts and culture, and night life.
- Package the city's more esoteric and remote attractions, so that the sum is greater than the parts. How about "Undercover Washington" featuring the FBI Building and Watergate? How about a "naturalist's Washington" featuring Dumbarton Gardens, the National Arboretum, and a "frog tour" along the Anacostia River? "Washington at War" could feature Robert E. Lee's home, Fort Circle Parks, the Navy Museum, and Marine Corps Historical Museum, etc. Big Apple Tours has been doing this in New York City for years.
- The prime and most important of these thematic groupings would relate to Washington's extraordinarily rich history as a place of refuge and protest for African-Americans. Washington was once a main port of entry for slaves; but landmarks of the freedom movement and flowering of African American culture abound and include: the Anacostia Museum, U Street, the Bethune Museum, the Reflecting Pool where Martin Luther King Jr. delivered his "I Have a Dream" speech, the Duke Ellington summer music festival, Frederick P. Douglas' home, Howard University, the Lincoln Monument, the Museum of the African Diaspora, the National Museum of African Art, and Underground Railroad sites.
- Use the unlikely proposal for a joint Washington/Baltimore Olympics as inspiration with regard to marketing both cities to foreign tourists. The two together offer the National Gallery and the Outsider Art Museum; the National Zoo and the Baltimore Aquarium; the "green and the gritty."

4.2 Increase tourist spending.

18 million tourists visit Washington each year. Yet by all accounts, Washington's tourists spend little in the city.

Details

- Washington's tourists are equivalent in number to 200,000 workers.[1] The typical worker spends an average of $10 per day, mainly on lunch. Imagine the impact of tourists on spending for breakfast, lunch, dinner, souvenirs, hospitality, etc.
- Although DC tourists do spend money, much of it is on the Mall, where sales cannot be taxed. DC tourists also do less shopping than is the norm. Shopping is one of the most popular tourist activities nationwide, figuring into 34 percent of national tourist trips, but in Washington this figure is only 24 percent.
- Many if not most of existing tourists stay in the suburbs rather than the City. One reason is cost—average rooms rates in the District are high. But another reason is supply—the suburbs have about 41,000 rooms compared with the District's 21,000.
- Hotels depend upon a steady business throughout the week and year in order to reach the 70 percent average room occupancy that assures financial viability. This can be achieved in Washington given the combination of business travelers Sunday through Thursday nights (peaking during the winter), and weekend tourists Friday and Saturday nights (peaking in the summer).
- One handicap for the hospitality business in Washington is that so many people come in groups or as a family, and are therefore on a budget that drives them to less expensive motels and hotels on the periphery. Another is that the satellite centers (Bethesda, Silver Spring, Crystal City, etc.) offer their own hotels, convenient to highways and Metro. A third is that the height limit prevents the types of tall, mixed-use buildings (office in the base, hotel above) that have sprung up in New York and Chicago.
- Tourist-oriented shops need to be there, where and when tourists need them. The Mall and most of the Monumental Core is devoid of shops and dining, with only the occasional establishment, usually consisting of a museum cafeteria, museum shop, or the like.
- For tourists, the key handicap for downtown is simply that it is off their radar screen. Where exactly is downtown? How far a walk is that? What's there for the kids? How much will going there cut into the time wanted to do other things? Etc.
- The BID has set its goal on increasing by half the number of tourists and visitors who come to downtown—from 8 to 12 million.

Strategies

- Shrink the psychological distance and the time it takes to get between the Mall and downtown. Ideas include wayfaring; fun, open air shuttles and pedicabs; north/south streets

[1] (18 million x 2.4 days divided by 250 working days) + (1.2 million x 5.5 days divided by 250 working days)

lined with stores, cafes, outdoor art and book sales, street trees, and the other ingredients of streets that people like to walk on.

- Promote at least a modicum of the name brand stores that tourists are familiar with, without cutting into the unique shopping experience that tourists actually come back for. The Rainforest Café and Trader Joes are examples of the former; specialty bookstores, ethnic restaurants, and funky boutiques are examples of the latter. It is hard to promote specialty stores; there is no site location criteria or officer to consult. The methods are indirect: such as contacting operators of successful businesses in other places like Baltimore. Or they are offbeat: such as promoting “State Showcase Stores” in 50 storefronts dispersed throughout downtown but shown on one map.
- Continue to put a priority on finding sites for new hotel development. They are now concentrated in downtown and Foggy Bottom. Waterfront sites that offer highway and Metro access are also of interest, and include Poplar Point, the Navy Yard, and Southwest Waterfront.
- Promote longer stays by tourists. This will take ingenuity, since the issue in DC is not the number of attractions per se. For example, how about special events on “Free Fridays” to lure visitors to the slowest nights for hotels and to keep commuters in DC through dinner? How about making it easier for tourists staying in the city to get to nearby attractions like Annapolis, Baltimore, Mount Vernon and Six Flags?

5. Complement and extend the Washington’s tourist and “City beautiful” amenities to redefine its common perception as the home of bureaucrats and poor residents.

5.1 Diversify the city’s exemplary amenity package to include nightlife, active recreation and entertainment.

Washington can be the exemplar of modern, American urban living: a meeting place that derives value from its historical, cultural, architectural, open space, and entertainment amenities. However, many of these amenities are thought to be “cold”—monuments instead of ambiance; museums instead of artist enclaves; neo-classical kitsch instead of contemporary architecture; views instead of recreation; malls instead of shopping districts. Washington would benefit from a “buzz” like that for New Orleans and San Francisco, and even Austin and Providence.

Details

- Like most capital cities for nations at their peak, Washington presents a spectacular array of museums, monuments, and monumental views. As most of these are government driven, they house but do not generate a rich culture. The tendency in all government-endowed cultural support is to gravitate to bona fide art and performance, not to the avant garde; to art and performance that does not aggravate but unites.

- But while not commonly recognized, Washington also presents a wealth of smaller, more cutting edge arts and cultural venues. These include the 14th Street theaters, a number of music venues (including gospel and jazz), and the Dupont Circle Gallery District.
- Contrary to popular prejudices, Washington also offers considerable nightlife, only it is out of the center and in Georgetown, Adams Morgan, Dupont Circle and elsewhere.
- Part of the image problem is that, in effect, the center of DC is occupied by the Monumental Core, not downtown: Washington's crossroads is at The Mall, not Times Square; its main spine is Pennsylvania Avenue, not North Michigan Avenue (in Chicago).
- Another problem is that while DC is blessed with incredible open space amenities, these are largely comprised of passive open space offering views of ornamental edifices. Its parks were conceived at a time when the emphasis was on creating handsome "lungs" for the District; not on providing active recreation for the masses.
- But in the final analysis, the arts and culture in Washington benefits from a wealthy, stable, highly educated population. Two sub-groups stand out: the constant flow of new young folk, and a stable cadre of affluent suburbanites.
- Washington, as the nation's political capital, is constantly coming up short in comparison to Manhattan as the nation's entertainment and cultural capital. This inferiority complex is aggravated by the ease of transport between the two cities; no one talks about comparisons to Los Angeles, for instance. But hold up Washington against any other city (or even New York City on a per capita basis): DC is truly blessed when it comes to culture and entertainment.

Strategies

- Market DC's cultural attractions in a way that highlights its hidden strengths. Parallels include the Venice Biennale—a semi-annual art show in which nations submit their most cutting edge art of the moment; or Los Angeles's Academy Awards; or the Spoleto Festival.
- Support Art Districts. The State of New York is, for instance, entertaining legislation that will provide sales tax relief for art sold in prescribed Districts. Philadelphia's Avenue of the Arts is both a physical District, and a sound marketing ploy.
- Support the creation of arts. Providence, for instance, has made an all-out and well publicized play for artist housing.
- Create incentives for private recreation facilities. Chelsea Piers in Manhattan provides an indoor playground for Manhattanites; imagine such a facility at either Poplar Point, or to the north of Union Station, or even at the old convention center site! Those of us who can't afford it will be understandably resentful of any public subsidy; but most of us can't afford the opera either; and both are part of the amenity package for the District.
- Create the image if not the reality of a "bureaucracy-free zone." A bit of organized chaos can go a long way—not unlike the energy found in the originally illegal conversion of SoHo's factory buildings to artist lofts in Manhattan; or the Bohemian lifestyle of Castro Street in San

Francisco; or the showy lifestyle of South Beach in Miami. Adams Morgan is the closest thing that Washington has to this mix; and it is evolving into a home not a playground. Capital Hill, Dupont Circle and Georgetown are too expensive; most other neighborhoods are too remote. NoMa failed as a technology District; maybe its future lies here. Southwest Waterfront and Buzzard Point are maybe possibilities. The necessary ingredients are convenience, cheap varied space, exceptions to normal zoning and building codes, and obliging or simpatico neighbors.

5.2 Extend the amenities out into the neighborhoods, to create a new image for the entire city and foster neighborhood resources and pride.

Washington's ample amenities are in fact concentrated in the "Monumental Core" and to the west and north. To be realistic, few tourists will venture further. But the image of tourist attraction is important to the self image of Washington's varied neighborhoods.

Details

- Washington is nationally viewed as a green and monumental city. But the nation's mind's eye is fixed on the city's Monumental Core. To many visitors, the image of the rest of Washington is that of blight. From this vantage, Dupont Circle is part of downtown; Adams Morgan is unseen; Georgetown is peripheral, if not separate; and Anacostia (as remembered from the news reports of a decade ago) is in the background.
- Greenbelts run west and north along the Potomac River and Rock Creek, not east and south. Walkable streets with exciting nightlife are concentrated in Adams Morgan, Dupont Circle, Foggy Bottom and especially Georgetown—all to the west and north. So are nearly all of the colleges and major institutions.
- As a review of the City's Neighborhood Composition map attests, the emerging pattern is that of an affluent west and north, mixed-income center, and lower-income east and south.
- The risk is that this pattern will reinforce prejudices and social isolation, without protecting residents from gentrification.
- The city's plans for the Anacostia River envision a bold stroke that solves many of these limitations. It turns the great dividing line of Washington into a uniting amenity—not unlike what was done more than a century ago with Rock Creek and its ravine.
- The Anacostia River Plan smartly incorporates parks with recreation, adds in new development to create revenue and constituencies for its parks, and provides a new setting for future monuments hard pressed to find sites in the Monumental Core.

Strategies

- Make the Anacostia River's revitalization everyone's business. Ideas include concentrating future federal government complexes on its shores, extending the Plan northeast into

Maryland, and providing water taxi service. What DC may lose in freedom to act on its own, it will gain in funding. Part of the success of Rock Creek Park is that it is a regional resource.

- Generate plans not only for the River, but also for upland linkages. Industry, highway, changes in grade, and decades of psychological distance are impediments that can be re-shaped through careful redevelopment, view corridors and connections, linkages to existing nodes like transit stops, and especially park programming. The last includes special events, active recreation facilities, waterfront restaurants, water taxis, etc. Imagine Rock Creek Park without its bicycle/walking trail, for instance.
- Do not overlook other park opportunities. The campuses at Reservation 13 and St. E's adjoin park-starved neighborhoods, for instance.
- Strengthen historic preservation, high urban design standards, etc. throughout the District. This can have a major positive impact on self-image, more than compensating for what is ultimately a minor negative impact on rehab and construction costs.
- Invest in and highlight neighborhood cultural and "tourist" attractions. In truth, only intrepid tourists or organized groups with narrow interests will venture forth; the Monumental Core has more than a few days worth of attractions already. But witness the impact on neighborhood pride and image generated by the Frank Lloyd Wright houses dispersed in Chicago the South Beach art deco District in Miami, the Studio Museum in Harlem, and the Watts Tower in Los Angeles.
- Promote non-profit and institutional presence in East of the River. This is the only part of DC lacking institutional partners for SNIP. The Anacostia River corridor and St. E's historic complexes provide possible locales.

6. Act strategically with regard to the large campuses and areas available for redevelopment.

6.1 Respond to the unique opportunities presented by each of the large sites and redevelopment areas.

Decisions made for immediate fiscal reasons will, when it comes to land use, last many lifetimes. The question that should be asked for each site is what is its opportunity thinking 20, 50 or even 100 years out. In the past, fiscal policy would have dictated a less ambitious L'Enfant Plan (Charles Dickens once remarked "on the city of magnificent distances" created by boulevards going nowhere); and bus routes instead of the Metro (as done in virtually every other city in America). The logical conclusion of current fiscal policy would argue for more luxury (not affordable) housing and gentrification; and fewer non-profits and government office/facilities. While none of these policies are favored (just the opposite), it points to the limitation of adopting one motivating goal in land use decisions.

Details

- There are approximately ten sites and redevelopment areas spread throughout the District. Each site offers unique opportunities and challenges in terms of physical character, rehab or new construction, access, neighborhood context, market conditions and community interest.
- Many in DC government now lean toward residential development first and foremost on these sites, in response to the priority to re-house 100,000 people within the city.
- They are inviting places for residential development, providing, in most instances, the opportunity in one plan and transaction to create thousands of units of housing, without aggravating gentrification concerns. No or little displacement is involved; and many of the sites are obscured from view.
- Because the District developed around the sites, in some cases they represent the missing pieces in the urban fabric.
- In other cases, they stand apart. Moreover, for those adjoining lower income areas, developers will gravitate toward plans that create real or indirect barriers—open space buffers, limited access, private roads, abrupt changes in architectural style and density, etc.
- Traditional subdivision design will yield tract development. Clustering can preserve open space. “New urbanism” can generate a superior built environment that harkens back to small-town America.
- Still, all three are forms of planned unit development that usually create socially if not physically isolated communities, perhaps different in form but not substance from gated communities.
- The large site and redevelopment areas, sizable as they may be, are not large enough to accommodate the entire 50,000-unit goal. Redevelopment can and should be a powerful generator of development—as evident at many Metro stops and in downtown. Based on the Office of Planning’s figures, scattered infill sites represent over a third of the District’s remaining development potential
- The large campuses and redevelopment areas are the last of their kind; once developed, DC will not have similar opportunities, barring major market or land use changes.
- Given their proximity to the Central Employment Area, the Southwest Waterfront and Near Southeast are particularly well-suited to become engines of economic development for the city as a whole.

Strategies

- Plan strategically for each campus and redevelopment area; do not employ one over-arching goal, such as “housing first” or “tax ratable development only.”
- Favor regional economic development on those sites that combine Metro/light rail and highway access—i.e., those sustainable as major employment, learning, cultural, or recreational centers that maintain Washington’s centrality in its region.
- Favor housing in places where both mixed-income housing is financially viable, and where the housing will enable the community to be more complete. Examples of the latter criterion

include reconnecting neighborhoods by completing the grid, and providing needed amenities.

- Favor parks and amenities where they can be major creators of value for adjoining sites and neighborhoods, spurring rehab, in-fill or higher-density housing while preserving a park that is enjoyed by the entire neighborhood.
- Market the sites nationally. Imagine a national request of proposals for “100 park-like acres, within 10 minutes of the halls of Congress and Amtrak, one-half hour from an international airport, with highway and transit access.”
- “Land bank” some sites for the future. When American University, Howard University, and Soldiers and Airmen Home were each built at what was then the edge the city, it was due to a unique combination of proximity, space, and timing. Likely, there are other unique users as of yet identified whose decision to locate within the District could have long-term positive benefit—if the right site is available at the right time.
- What if Georgetown University had an interest in Southwest Waterfront with a shuttle bus or water taxi connector? Johns Hopkins University was said to be looking at Reservation 13 as a satellite research campus. LegoLand was recently looking at its east coast options: were they aware of Poplar Point? What if the 800 units considered for Fort Totten were built at a higher density in the adjoining industrial area near the Metro, leaving most or the entire fort as park?
- The “what if’s” can be shifted around, marrying different programs to different sites. As one such playing-around: How about a “Chelsea Piers” type operation at Poplar Point, with funding for a student-run hotel associated with a community college, which shares a campus within the historic buildings of St. E’s with the University of the District of Columbia (UDC), which maintains a park on the rest of St. E’s, also freeing up the current UDC campus for a satellite of Georgetown University, which in exchange underwrites affordable housing near the St. E’s park. DC bolsters its economic sector; and East of the River gets recreation, park, job training, a community college, and affordable housing.
- To defuse the debate about whether housing should be the preferred use on these campuses, dedicate all “profits” generated by sales and lease of these campuses and redevelopment to affordable housing.
- Thus not only subject each site to its own planning process, request for proposals, and mixed-use programs; look at the sites as part of a portfolio through the lens of the once-in-a-lifetime opportunities for neighborhood improvement as well as the District’s economy.

6.2 Plan strategically for each industrial District.

Washington is not now, and was never, an industrial city. While designed to be a port, it never went in this direction. And it should not, given the fact that industry takes up significant amounts of land (which Washington has little), and can be a source of environmental or visual pollution (which counters Washington’s ability to attract residents and visitors). Yet much of the industry that remains is of economic value since it supports the hospitality, retail, non-profit and other sectors of the District.

Details

- Baltimore, not Washington, emerged as the major port and industrial center for the region. Washington's employment base has been historically government and services, not industry.
- Industry was concentrated on the waterfront and along the rail lines—the typical pattern in America. With the shift of trucking to highways, this pattern is usually obsolete. Washington escaped the vast abandonment of its industrial districts partly because there was so little to begin with, and partly because the industrial districts remained convenient to New York Avenue/Interstate 295. Truckers did not have to fight their way through residential areas to get to and from their destinations.
- Thus, based on field visits organized by the Office of Planning, the industrial districts are largely occupied.
- When vacancies occur, they will be slow to fill. This is not because demand is unusually low, but because, for industry, practically every building must be build-to-suit. The rents and ability to redesign buildings is limited; space for expansion is constrained; thus each tenant must be happy with the space, loading docks, ceiling heights, floor loads, etc. available. Most industry does not care about building and site appearances. Just about anything short of abandonment can be viewed as healthy.
- Most of the tenants are reported to be (and appear to be in our site visits) service-related: food production for caterers, suppliers for restaurants, storage for stores, repair shops, distributors, etc. As such, they help to keep the cost of doing business in Washington down.
- Ironically, "export" industries are probably the most expendable. Usually, economists favor manufacturers, since they export product and import wealth into a region. These industries can, from DC's point of view, be just as well placed in the region, mindful that Baltimore and the suburbs, for example, have more industrial land, with fewer opportunity costs.
- The industrial districts along the waterfront have already been identified for redevelopment. The Navy Yard is somewhat of an exception, since notwithstanding offices and two museums, the area has something of an industrial character.
- The industrial districts along the rail line parallel to North Capitol Street are under pressure for residential and small-scale commercial development. They are not that convenient for truckers; the sites are hemmed in; industry poses a nuisance for adjoining residences; and, most important, the new transit line and burgeoning demand for urban living creates lucrative alternatives able to pay for acquisition and environmental remediation.
- The industrial districts along New York Avenue can be abiding: the sites are large, isolated from residential areas, easy to get to, and convenient to the Interstate Highway system. But as discussed earlier, these same ingredients invite superstore development. Even with our pro-industry outlook, we couldn't resist the opportunity to thus upgrade this important gateway corridor.
- The city's economic development strategy needs to balance growth in the retail and tourist trades with growth in other sectors that underpin more stable economic demand and

increase residents' earning capacity. Retail and tourist jobs alone will not meet broader public policy objectives to help DC residents advance economically.

Strategies

- Plan strategically for each industrial district. Do not adopt a simplistic approach that industry is inherently obsolete, or inherently desirable as a source of jobs and producer of wealth; neither of these is exactly true in Washington.
- Continue to pursue a parks/redevelopment strategy along the waterfront. Here, the object is not just to accommodate market forces; it is also to create a significant new amenity for the part of DC that needs it the most.
- Proceed with conversions of industry to housing and transit-oriented development to the north of downtown.
- In this area and elsewhere, retain pockets of industry. These will, over time, be filled by boutique operations (antique restorers, sculptors, publishers) that need to be in DC if not that neighborhood.
- Think hard about the New York Avenue corridor. This is where DC can easily misstep. One option explored earlier is to allow limited superstore development that could (through Tax Increment Financing or impact fees) pay for improvements to New York Avenue's appearance and roadway conditions. But a significant question remains as to how many (if any) superstores could be accommodated on New York Avenue without displacing a significant portion of the existing industry.
- To better understand the trade-offs, conduct a strategic plan viewing Washington's industrial Districts and uses in their totality. This is needed to properly calibrate these strategies to the sites and areas. The strategic plan should include a complete inventory of industrial firms, a survey of those firms to understand their idiosyncratic needs and trends, land use and building condition surveys, consideration of roadway and infrastructure conditions and plans, consideration of environmental conditions and clean-up costs, identification of potential redevelopment sites, and indication of alternative development options.
- Adopt the equivalent of a Business Improvement District (BID) in the remaining industrial areas, to provide the services associated with an in-place industrial park. These include promoting shared parking and security arrangements, as well as shared shuttle bus service to local express bus and metro stations. A model industrial BID in Paterson, NJ, has sustained a vibrant industrial area in the midst of pervasive disinvestment and decline.

7. Think regionally with regard to smart growth and fiscal policy.

7.1 Promote smart growth practices, including transit enhancements, transit-oriented development, reverse commuting, and regional open space initiatives.

Washington has regained strength largely because it remains the center of a booming region. But the suburbs outpace the District in terms of economic development, and absent smart growth, they will drain the District of energy. For example, it would not take much for Bethesda/Silver Spring or the Dulles corridor to dominate the region, the way North Atlanta does its region.

Details

- The "center holds" largely because of the anchoring presence of the federal government, as not only the major employer, but also as the generator of transactional business and visitors.
- Another reason is that Washington is now reaping the benefits of a regional transit investment that, given its radial pattern, promotes downtown development. The Metro system ranks second in the nation in terms of usage (after New York City); and 33 percent of the city's and 11 percent of the region's work force commute by transit.
- Concomitantly, the city perversely benefits from the second longest vehicular commutes in the nation (after Los Angeles), providing a "push" to match the "pull" of an attractive and safe transit network.
- The combination of transit and the ring highway is particularly powerful, and has driven development along the beltway and radial corridors. Unlike most suburban development nationwide, these centers remain convenient to reverse commuters from the city.
- Widescale citizen cynicism, fortunately for the District, hinders more highway construction. New highways disperse, rather than concentrate development.
- Similarly, NIMBYism and a new appreciation of the value of open space constrain residential development in many of DC's suburbs.
- The suburbs will grow as outsourcing continues, the local economic diversifies, municipalities compete for commercial (tax ratable) development, and the exurbs are developed to serve commuters to the satellite centers.
- Land use and infrastructure authority is dispersed among many municipalities, a dozen counties, two-and-a-half states (counting DC as not-quite-a-state-but-not-just-a-city).
- The regional plan prepared by Metropolitan Washington Council of Governments now responds to the political necessity of serving many masters by continuing to promulgate new satellite developments that in fact are not convenient to city residents and transit.
- The ability to pursue smart growth is, nevertheless, unusually great here, thanks to well-educated and politically astute citizens; first-rate think-tanks and colleges; constant contact with professionals familiar with what has and has not worked elsewhere; and immediate access to federal and non-profits interested in smart growth.

- Access to federal dollars is also significant. Local projects may be less beneficial than those of home constituencies; but they have their allure since politicians and officials have first hand knowledge of local conditions. For many officials and politicians, the Washington region is home in all but name.
- The economic development hurdles the city faces are exacerbated by the structural imbalance. Because of the higher tax burden, the District needs to generate economic development so that it can be economically sustainable in the long run.

Strategies

- Become an active participant if not a leader in regional planning, with a voice as strong as either of the states. This is justified in terms of the importance of DC to the region's economy.
- Link DC initiatives to regional efforts and funding. As examples: The Anacostia River plan can be extended into Prince Georges County. Light rail can run local downtown and then express into the suburbs (rather than function as an expensive alternative to shuttle buses).
- Adopt a concordant whereby major office and other employment developments are directed to places that, like Bethesda, Chevy Chase and Silver Spring, are convenient to DC as well as the suburbs, transit as well as highway.
- Lobby Maryland and Virginia to strengthen enabling legislation and municipal planning through "best practices."

7.2 DC's political community and voters should continue to redress the imbalance created by its lack of statehood.

The lack of statehood is the source of all sorts of impediments—legal, financial, political—that do not bear full enumeration here. Our concern is narrower: DC does not have the ability in all areas to carry out its responsibilities insofar as economic development is concerned. Some solutions may be available through regional partnerships.

Details

- It appears that DC lacks options available to most municipalities due to the lack of state status: ways of redistributing tax revenue from the suburbs to pay for urban amenities that they share; availability of State learning institutions; greater input into regional infrastructure decisions; empowerment through State enabling legislation for impact fees and condemnation; etc.
- Without a vote in Congress, and without the authority of a state, DC will not be given full due by its neighbors in addition to the federal government.
- Its residents will feel like second-class citizens as well, contributing to the psychology that Washington is only a temporary home. Thus, it deters homeownership, housing reinvestment and neighborhood volunteerism.

Strategies

- Continue to seek statehood, fair representation in Congress, or their equivalents for DC.
- Continue to seek creative ways to recalibrate the current fiscal imbalance. The federal tax setaside in lieu of commuter taxes; highway tolls; reduced rates for reverse commuting; regional flip taxes for transit and open space initiatives; access to Virginia and Maryland State colleges; multi-state authorities for major regional infrastructure improvements—are just some of the ideas that we have heard about or observed elsewhere.

8. Generate 50,000 new housing units for 100,000 new residents.

8.1 Promote a mix of downtown living, transit-oriented development (TOD), in-fill housing, mixed-use development, and "new neighborhoods" on the waterfront.

As explained earlier, more households adds income tax revenue to the District's coffers and amortizes among more households the fixed and incremental costs for infrastructure and services, including education. Beyond repopulation, the intent is to complete and bolster existing neighborhoods, and reclaim the waterfront.

Details

- The 60,000 unit goal probably seemed beyond reach when first put forward by the Brookings Institute. Last year, DC issued approximately 3,000 housing permits. Roughly 2,000 to 3,000 units are now under construction in downtown alone. At such rates, the goal will be reached well within twenty years—i.e., within our lifetime and the range of most Master Plans.
- Washington has a built-in demand for rental housing from the constant flow of new residents—many of them young—seeking careers or experience in government or allied fields.
- Washington also has, thanks to its inestimable amenities, built-in demand for empty nesters and workaholics whose children have graduated from the better schools in the suburbs, and who are now seeking a richer social and cultural life with shorter commutes.
- Washington could also tap a retirement market from across the nation. The city has rich opportunities for free culture and activities—including volunteerism—geared to every interest. It has terrific hospitals, three airports, Amtrak service, and a plenty of reasons for family and friends to visit.
- Until it improves its public schools, the city will have limited demand for wealthier families. This reduces the public expenditure per average household, enhancing the tax benefit of promoting housing development. It however constrains homeownership and putting down of roots.

- Transients, empty nesters and retirees—unlike conventional families—prefer multi-family housing formats with less maintenance and shared amenities. Thus demand matches the most likely form of new development in space-limited Washington.
- Because DC charges income taxes (unlike most municipalities), the break-even point for net positive revenue is at a surprisingly low $70,000 per household, assuming less than one school-age child per household on average, which is by far the city's present and likely future demographic unless its public schools undergo a significant transformation in both substance and image.
- Higher-density, mixed-use development near stations bolsters transit use, reduces car travel for errands and commuting, and creates more walkable civic centers.
- Waterfront housing generates a revenue stream and constituency for DC's most underutilized resource. The risk is that the new development will turn its back to inland residents, especially at sites that adjoin lower income neighborhoods.
- Recent and new Metro stops, rapid transit, and waterfront rezoning provide new value for old real estate. The windfalls can be used to cross-subsidize the shopping, park and other amenities desired by the community as well as the new tenants (as well as affordable housing, as discussed later).
- Downtown housing generates a more diverse clientele for shops and restaurants, and fosters a downtown that looks and is safer, all day and week (hence the new jargon of "24/7").
- Resident concerns about traffic and intensity of development are not mere NIMBYism, but also legitimate concerns about quality of life. The usual approach to this challenge devolves into guerilla tactics: proceed where possible and back-off where controversy is intense. Another way entails proactive planning: trade quality development and amenities for advance approval.
- The national research indicates that the pace and surprise of new development drives anger as much if not more than the amount of development. Given the protracted building boom projected, DC should expect NIMBYism to grow rather than shrink as a phenomenon.

Strategies

- Explore the Planned Development District (PDD) model, out of the West Coast, as a proactive planning process for Transit Oriented Development (TOD) and other important sites. In PDD zoning, added flexibility with regard to use and density is provided contingent upon roadway, infrastructure and/or design improvements of common benefit. In this case, incentive zoning tied to pre-approvals is made available through a planning process involving local residents. Developers will benefit from greater predictability, while the public has assurances that the new development will provide the amenities and design benefits worked out through the planning process.
- Of all of the community benefits associated with TOD, the most important is creating a "there, there"—entailing a small, walkable civic center, a plaza or green, and shops—at

every Metro stop. This winning approach is best explained through example, of which the Washington environs already has plenty.

- Adopt strict guidelines that not only ensure waterfront access and amenities, but also that new waterfront development connects to the adjoining neighborhood. The techniques include view corridors, connecting streets, contextual development, and layout and massing of buildings that do not create a sense that there is a wall between the neighborhood and waterfront.
- Do not try to pick winners and losers from the different populations that might be housed; let the marketplace decide. (Though affordable housing is a necessary component as discussed later.)

9. Continue to take a whole neighborhoods approach: it is about “home” not just housing.

9.1 Carry through on the promise of the Strategic Neighborhood Investment Program (SNIP) and reSTORE DC Program, which emphasize asset-based planning and neighborhood partnerships for implementation.

The City is wisely looking at neighborhoods in a holistic way. The lesson of nationally notable neighborhood revitalization efforts in Hartford’s south end and the South Bronx has been that building housing is not enough: social services, shopping, access to jobs, parks and the other ingredients of neighborhood quality of life are just as important. The further lesson is that planning works best when it builds on existing assets, is conducted in partnerships, and is tied to short-term implementation.

Details

- People usually choose their neighborhood or community before their housing unit, and based on the neighborhood’s amenity package: schools for families, transit for straphangers, active recreation and dining for young singles, shared values for all groups, etc. The type of housing—high-priced or not, with or without yards, rental or homeownership—factors in only as part of that package. Thus, healthy neighborhoods are the foundation of any housing redevelopment policy.
- DC now characterizes its neighborhoods as stable, emerging, transitional, or distressed. Presumably, the emphasis for stable neighborhoods is to do no harm; for emerging neighborhoods to manage growth; for transitional neighborhoods to enhance amenities; and for distressed neighborhoods to address problems associated with poverty—crime, disinvestment, alienation. Obviously, we are talking only about emphasis; and the particulars will vary wildly for each neighborhood. But this four-tier characterization provides a useful analytical lens through which to consider decision making. While intuited in most cities in which we have worked, it is bold of DC to be so frank.

- Under its Strategic Neighborhood Investment Program (SNIP), DC is committed to a limited number of catalytic investments in specific areas targeted for investment; a dozen at present. Under its reSTORE DC Program, DC is committed to a limited number of high priority Main Streets for revitalization; again a manageable dozen. The Office of Planning is also focusing on major campuses and redevelopment areas; roughly 11 in number. This is wise, given DC's resources and the need to manage expectations.
- The relevant staff is—based on our interviews—talented and energetic. Departmental chiefs appear to be accessible and equally motivated. Clearly, this is a good time to be in DC government.
- The most lasting plans lay out a bold vision. Conversely, the most useful plans yield investments made consistently and incrementally. "Make no small plans" is the credo of one school of planning (Birnbaum, Burnham, Moses); "planning is like gardening" is the credo of another (Jacobs, Gratz). The best neighborhood plans embrace both.
- This type of plan also works best where the planning and implementation is done as a partnership between DC, vested interests, local institutions and community-based organizations. This provides a richness of detail as to what can make for a better quality of life in each neighborhood.
- For SNIP, DC has put a priority on engaging universities and other institutional anchors—which are dispersed throughout the city except, significantly, east of the River. reSTORE, DC has put a priority on partnering with merchant and civic organizations. For planning in general, DC has turned to insightful players like the Brookings Institute.
- In high-value areas, DC has considerable power through its land use regulations, which carve away from what the marketplace is prepared to do to create something that conforms to a definition of the public interest; e.g., the marketplace will build all densities of housing, but only low-rise housing is permitted.
- In lower-value areas, or where costs are unusually high (e.g., brownfields), land use regulation is inadequate. It is impossible to carve away from what the marketplace is not prepared to do on its own. Subsidies are needed to induce or substitute for the marketplace.
- In all areas, but particularly transitional and emerging areas, land acquisition is usually an impediment. One hold-out can forestall a planned development or even a desired improvement, such as shared parking or preservation of a scenic vista. Fortunately, DC can not only condemn for public purposes (e.g., a police station) or in connection with a blight finding (i.e., severe disinvestment), but also through an approved neighborhood plan that includes a redevelopment area. Moreover, both the District government (through the Deputy Mayor's Office of Planning and Economic Development) and NCRC can exercise this power.
- Mindful of the difficulties in conducting development, DC formed and the Federal government endowed the National Capital Revitalization Corporation (NCRC). The NCRC is new and in need of fresh influx of funding. Its initial roster of projects and priorities seems sensible; though some interviewees complained that there is a lack of full coordination with the District government.

Strategies

- Take a comprehensive view of neighborhood plans. They should not just be about land use and development, but also urban design, traffic, infrastructure, services, and the other ingredients of quality of life.
- Continue to seek partnerships with universities and community-based organizations, especially community development corporations (CDCs). This will assure a tie-in to all manner of implementation.
- Actively engage key stakeholders (property owners, important businesses, tenant associations, etc.) through task forces and focus groups; and not just the resident population through surveys and town hall meetings. Employ strategic planning techniques involving assignment of responsibility and accountability.
- Continue to engage Washington's incredible brain trust. In addition to the neighborhoods, this includes think tanks, civic organizations, and national non-profits—many of whose staff members live in the neighborhoods.
- Provide the Office of Planning with capital budget oversight as well as responsibility for land use. This will assure continued insight into the relationship of land use and public investments.
- Replenish NCRC's coffers and, recognizing its youth, find ways to strengthen its participation in planning, Tax Increment Financing, etc.

10. Adopt housing/neighborhood strategies that minimize gentrification, support neighborhood stabilization, and promote integration—consistent with DC's commitment to social diversity.

10.1 Pursue inclusionary housing, creative financing, the Hope VI model, homeownership incentives, and other approaches that generate mixed-income housing and reduce gentrification.

Frankly, all neighborhood improvements have a negative impact in terms of promoting gentrification. This includes new parks, better schools, safer streets, historic preservation, etc. It is virtually impossible to stop market forces. But they can be channeled and mitigated. The metaphor is the flow of water: without it, the condition is drought; with too fast and furious a flow, the condition is flooding; but if properly controlled, while there may be erosion, it will be gradual and manageable.

Details

- Property values are rapidly increasing in virtually all DC neighborhoods, especially west of North Capitol Street, but also in some areas east of the Anacostia River as people move back from Prince Georges County.
- Rents and property values will go up even more as neighborhood conditions improve.
- There is little prospect that DC will expand rent control, which would buck a national trend (e.g., Cambridge just dropped it) and invite Congressional interference.
- The most sustainable neighborhoods are those that have a variety of housing—small and large, rental and ownership, etc.—to meet different and evolving demographic needs.
- The District is dependent on a varied labor pool, and derives its strength from the diversity of its residents. These in turn hinge on neighborhoods with affordable housing.
- “80/20” mixed-income projects are promoted through Federal tax incentives, but generally need 250+ units for economies of scale.
- The Housing Authority embraced Hope VI early, with grants to proceed with six projects—more than we have heard tell of in any other city of this size. Hope VI generally involves the redevelopment of obsolete low income housing campuses, as mixed-income housing using more time-tested housing formats (such as townhouses). Its key drawback has been displacement of many existing tenants.

Strategies

- Adopt inclusionary housing zoning rules for all new construction and major rehab larger than in-fill. Inclusionary housing involves a setaside for affordable housing units. Some cities do this through zoning mandates; others through incentives. Many cities allow off-site contributions. For example, DC might require 5 percent set aside for projects larger than 20 units, provide density bonuses for higher percents, and allow off-site contributions for projects smaller than 100 units. The precise formula warrants study and requires flexibility over time and for different market conditions.
- Partner with willing major institutions to create revenue stream(s) for affordable housing for their workers. Washington’s single biggest employer—the federal government—is out of the running. But the District has plenty of universities, hospitals and other institutions that could bolster their neighborhoods while they meet the housing needs of their lower-wage employees.
- Employ homeownership funding, such as the currently successful $5,000 tax benefit for starter-homes. Starter homes are usually the most important step for moderate-income families in getting a financial leg up. Even if prices then rise, the current residents realize the economic benefit.
- As one observer called it, use government as a “circuit breaker” when it comes to real estate taxes for lower income households. Taxes go up with property values. This can be a hardship for low-income residents, especially seniors on low fixed incomes. Many cities reduce or cap real estate taxes for seniors with modest means. Perhaps this could be extended to all low-income homeowners in Washington.

- Provide real estate tax write-offs for the inclusionary and other guaranteed affordable housing units. DC derives a larger share of its revenue from income than real estate taxes, making such write-offs fiscally responsible.
- Continue to pursue projects inspired by the former Hope VI program, which has been successfully applied in Washington. While dislocation of existing households is a hardship; the result is usually better housing, mixed-income environments, and, less publicly acknowledged, a chance to make a clean sweep as to tenant mix and management practices.